

**OIL AND GAS DOCKET NO. 04-0257311**

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**APPLICATION OF LEWIS PETRO PROPERTIES, INC. TO CONSOLIDATE THE OWEN (ESCONDIDO) FIELD AND THE OWEN (ESCONDIDO 2) FIELD INTO THE OWEN (OLMOS) FIELD AND TO AMEND FIELD RULES, WEBB COUNTY, TEXAS**

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**HEARD BY:** Andres J. Trevino, P.E.

**DATE OF HEARING:** June 23, 2008

**APPEARANCES:**

Keith B. Masters, P.E.

**REPRESENTING:**

Lewis Petro Properties, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unprotested application of Lewis Petro Properties, Inc. for the Commission to consider consolidation of the Owen (Escondido) Field and the Owen (Escondido 2) Field into the existing Owen (Olmos) Field. The field rules as adopted by Order No. 04-81,447 , issued effective April 9, 1984, for the Owen (Olmos) Field are as follows:

1. Minimum well spacing of 467'/1,200' (lease line/between well).
2. 80 acre proration units with an optional 40 acre units, and
3. Allocation based on 100% deliverability

Lewis Petro proposes the following field rules be adopted:

1. The entire correlative interval from 5,050' to 7,014' as shown on the Induction log of the Tesoro Petroleum Corporation, Webb County School Land Lease Well No. 1, A-504, Webb County, Texas, should be designated as the Owen (Olmos) Field.
2. Minimum well spacing of 467'/933' (lease line/between well),
3. 320 acre proration units with an optional 40 acre units, and
4. Two factor allocation based on 95% deliverability and 5% per well.

It is also proposed that the allocation formula remain suspended. The examiner recommends approval of the proposed rules.

### **DISCUSSION OF THE EVIDENCE**

The Owen (Olmos) Field is a non associated gas field that was discovered in 1971 at a depth of 6,979' subsurface depth. The field is governed by Special field rules last amended by Order No. 4-81,447, issued effective April 9, 1984. There are six operators in the field and 159 wells. The Owen (Olmos) Field has produced 76.1 BCF of gas and 249.9 MBO. The allocation formula has been suspended since 1993.

The Owen (Escondido) Field is an associated gas field that was discovered in 1972 at a depth of 5,180' subsurface depth. The field is governed by Special field rules last amended by Order No. 04-0218028, issued effective January 6, 1998. There are two operators in the field and 19 gas wells and one oil well. The Owen (Escondido) Field has produced 16.6 BCF of gas and 40.7 MBO. The allocation formula for this field is currently suspended.

The Owen (Escondido 2) Field is a non associated gas field that was discovered in 1969 at a depth of 5,407' subsurface depth. The field is governed by Statewide field rules. There is one operator in the field and two wells. The Owen (Escondido 2) Field has produced 647.7 MMCF of gas and 1.9 MBO. The allocation formula for this field is currently suspended.

Because the fields produce from the Escondido, Escondido 2 and the Olmos sands, the entire correlative interval from 5,050' to 7,014' as shown on the Induction log of the Tesoro Petroleum Corporation, Webb County School Land Lease Well No. 1, A-504, Webb County, Texas, should be designated as the Owen (Olmos) Field.

Lewis Petro proposes to retain the 320 acre units and add an optional 40 acre gas proration unit density which is necessary to provide for the efficient and effective depletion of the subject field. Production decline analysis was studied for numerous wells in each field. Drainage calculations performed for wells in the Owen (Olmos) Field indicate the wells will drain between 142.5 acres and 4.3 acres based on EUR between 2.65 BCF and 44.6 MMFC, respectfully. Drainage calculations performed for wells in the Owen (Escondido) Field indicate the wells will drain between 338.9 acres and 311 acres based on EUR between 2.04 BCF and 2.6 BFC, respectfully. Drainage calculations performed for wells in the Owen (Escondido 2) Field indicate the wells will drain between 131.6 acres and 13.9 acres based on EUR between 526 MMCF and 42.7 MMFC, respectfully.

The proposed minimum well spacing, 467'/933' (leaseline/between well), will provide for flexibility in locating wells in all productive zones in the Owen (Olmos) Field without the need for unnecessary Rule 37 exceptions

Because the proposed designated interval contains multiple sands, a two factor allocation formula is required by statute. Lewis Petro proposes that allocation be based on 95% deliverability and 5% per well. This allocation formula is currently suspended and Lewis Petro requests continuation of this status.

### **FINDINGS OF FACT**

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Owen (Olmos) Field is a non associated gas field that was discovered in 1971 at a depth of 6,979' subsurface depth.
  - a. The field is governed by Special Field Rules which allow 467' - 1,200' well spacing with 80 acre units with optional 40 acre density.
  - b. There are six operators in the field and 159 wells.
  - c. The Owen (Olmos) Field has produced 76.1 BCF of gas and 249.9 MBO.
  - d. The allocation formula has been suspended since 1993.
4. The Owen (Escondido) Field is an associated gas field that was discovered in 1972 at a depth of 5,180' subsurface depth.
  - a. The field is governed by Special Field Rules which allow 467' - 1,200' well spacing with 320 acre units with optional 80 acre density.
  - b. There are two operators in the field and 19 gas wells and one oil well.
  - c. The Owen (Escondido) Field has produced 16.6 BCF of gas and 40.7 MBO.
5. The Owen (Escondido 2) Field is a non associated gas field that was discovered in 1969 at a depth of 5,407' subsurface depth.
  - a. The field is governed by Statewide Rules.
  - b. There is one operator in the field and two wells.
  - c. The Owen (Escondido) Field has produced 647.7 MMCF of gas and 1.9 MBO.
6. The Owen (Olmos) Field should be designated as the correlative interval from 5,050' to 7,014' as shown on the Induction log of the Tesoro Petroleum Corporation, Webb County School Land Lease Well No. 1.
7. Well density of 320 acre gas proration units with optional 40 acre units is necessary to provide for the efficient and effective depletion of the subject field. Drainage calculations performed on numerous wells from the fields showed the wells drained between 339 acres and 4.3 acres.

8. The proposed minimum well spacing, 467'/933' (lease line/between well), will provide for flexibility in locating wells in all productive zones in the Owen (Olmos) Field without the need for unnecessary Rule 37 exceptions.
9. Allocation based on 95% deliverability and 5% per well is a reasonable allocation formula which satisfies statutory requirements.
10. Continuation of the administrative suspension of the allocation formula in 1993 is appropriate as there was no protest to the continuation presented at this hearing.

**CONCLUSIONS OF LAW**

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.
4. Consolidation of the fields as proposed by Lewis Petro Properties, Inc. is necessary to prevent waste and protect correlative rights.
5. Adoption of the proposed amended field rules will prevent waste, foster conservation and protect correlative rights.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation and proposed field rules for the Owen (Olmos) Field and the suspension of the allocation formula.

Respectfully submitted,

Andres J. Trevino, P.E.  
Technical Hearings Examiner