

THE APPLICATION OF ENERGY PRODUCTION CORPORATION TO CONSOLIDATE THE SCHNEIDER, N. (SUB-CLARKSVILLE) FIELD INTO THE SCHNEIDER (SUB-CLARKSVILLE) FIELD, WOOD COUNTY, TEXAS

Heard by: Donna K. Chandler on July 20, 2006

Appearances:

Dick Marshall
Tom Mairs
Chet McLain

Representing:

Energy Production Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Energy Production Corporation requests that the Schneider, N. (Sub-Clarksville) Field be consolidated into the Schneider (Sub-Clarksville) Field. It is requested that the allocation formula for the Schneider (Sub-Clarksville) Field be based on 95% deliverability/potential and 5% per well. It is also requested that the field be classified as associated-prorated.

DISCUSSION OF THE EVIDENCE

The two subject fields are located on the Hainesville salt dome and both operate under Statewide Rules. Energy Production Corporation is the only operator in both designated fields. The primary objective for production on the dome is from the Buda and Woodbine. The Sub-Clarksville is a secondary objective which is typically completed after the deeper Buda and Woodbine are depleted. The Sub-Clarksville consists of three separate members.

The Schneider (Sub-Clarksville) Field was discovered in 1992 upon completion of the SASI Ranch No. 2. This well is completed in the 2nd Sub-Clarksville member and has produced 108,000 BO and 143 MMCF of gas. The next well completed in the field was the Peacock No. 2, completed in January 2001 in the 1st and 3rd members. Both wells were classified as oil wells. A third oil well was completed in the field, the H. Jones No. 1, in December 2004, with perforations in the 3rd Sub-Clarksville.

In 2002, the H. Jones GU "A" No. 3ST was completed in the 3rd member of the Sub-Clarksville. This well was classified as a gas well and was granted new field designation called the Schneider, N. (Sub-Clarksville) Field. The Thurman Williams No. 3 was completed as a gas well in July 2003 with production from the 1st and 3rd members. This field is classified as non-associated.

The most recent completion is the H. Jones "B" No. 2. This well was permitted for the Schneider, N. (Sub-Clarksville) Field. The well is producing from the entire Sub-Clarksville section and appears to be an oil well.

There are numerous faults in this area, which is expected on a salt dome. The wells in the two fields produce from the same correlative Sub-Clarksville and there is no indication of whether a well will be classified as an oil well or gas well in the Sub-Clarksville. Some of the wells are separated by several faults and there is no reason to limit gas wells pursuant to Rule 49(b).

A two factor allocation formula based on 95% potential/deliverability and 5% per well is requested for the Schneider (Sub-Clarksville) Field to meet statutory requirements for combining the three separate members into a single field.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The Schneider (Sub-Clarksville) and Schneider, N. (Sub-Clarksville) Fields are located on the Hainesville salt dome and both operate under Statewide Rules.
3. Energy Production Corporation is the only operator in both fields. There are three oil wells in the Schneider (Sub-Clarksville) Field and two gas wells in the Schneider, N. (Sub-Clarksville) Field. All of the wells produce from the same correlative Sub-Clarksville interval.
4. Wells in the two fields are complete in one or more of the three separate Sub-Clarksville members. Some of the wells are separated from other wells by several faults and there is no indication of whether a well will be classified as an oil well or gas well.
5. Because there is no gas cap, limitation of gas production pursuant to Rule 49(b) is not necessary to prevent waste.
6. Allocation based 5% per well and 95% on deliverability/potential will protect correlative rights and satisfy statutory requirements.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.

2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the fields as proposed by Energy Production Corporation is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.
5. Cancellation of overproduction in the two fields will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Schneider, N. (Sub-Clarksville) Field be consolidated into the Schneider (Sub-Clarksville) Field and that the allocation formula for the field be based on 95% deliverability and 5% per well, with the field classified as associated-prorated. It is also recommended that all accumulated overproduction in both fields be canceled.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner