

**THE APPLICATION OF ELLORA OPERATING, LP TO CONSOLIDATE THE DUNCAN CEMETARY (JAMES LIME) FIELD INTO THE HUXLEY (6100) FIELD AND TO AMEND FIELD RULES FOR THE HUXLEY (6100) FIELD, SHELBY COUNTY**

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**Heard by:** Donna K. Chandler on July 21, 2006

**Appearances:**

Dick Marshall  
Valerie Walker  
Richard McClure, Jr.

**Representing:**

Ellora Operating, LP

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Ellora Operating, LP requests that the Duncan Cemetery (James Lime) Field be consolidated into the Huxley (6100) Field and that the field rules for the Huxley (6100) Field be amended. Field rules for the Huxley (6100) Field are summarized as follows:

1. Statewide spacing and density for vertical wells;
2. For horizontal wells, 100 feet minimum distance to lease lines for penetration point and terminus; minimum of 467 feet perpendicular distance from horizontal drainhole to lease line;
3. No restriction for spacing between existing vertical well and horizontal drainhole;
4. Allowance of 100 feet overlap between penetration point of one horizontal drainhole well and the terminus of another horizontal drainhole well;

It is requested that the field rules for the Huxley (6100) Field be amended as follows:

1. Designation of the Huxley (6100) Field as the correlative interval from 6,054 feet to 6,302 feet as shown on the log of the Brett lease Well No. 1H;
2. Well spacing:
  - a. No well for oil or gas shall hereafter be drilled closer than 933' to any other well, completed or drilling in the same field on the same lease, pooled unit, or unitized tract; provided, however, that no between-well spacing restriction shall apply (1) between a horizontal drainhole well and any previously existing vertical well, (2) between the drainholes

of two horizontal drainhole wells within the first 100' or the last 100' of either horizontal drainhole well, or (3) between horizontal drainhole wells that are parallel or subparallel (within 45 degrees of parallel) and do not overlap more than 100'. A horizontal drainhole well may be developed with multiple drainholes and these multiple drainholes shall not be subject to minimum between-well spacing restrictions.

- b. No well shall be drilled nearer than 467' to any property line, lease line, or subdivision line; provided, however, that the minimum well-spacing for horizontal drainhole wells with a horizontal displacement of greater than 800' shall be governed by the following provisions:
  - 1. No horizontal drainhole well shall hereafter be drilled such that the penetration point or terminus of the horizontal drainhole within the designated field interval is nearer than 100' to any property line, lease line, or subdivision line.
  - 2. For each horizontal drainhole the distance measured perpendicular to a horizontal drainhole from any point on such horizontal drainhole to any point on any property line, lease line, or subdivision line shall be a minimum of 467'.
- 3. 640 acre gas units plus 10% tolerance; optional 160 acre units;
- 4. Allocation based on 95% deliverability and 5% acreage.

The allocation formula is currently suspended in the Huxley (6100) Field and Ellora requests continuation of this status.

This application was unopposed and the examiner recommends approval of the field consolidation and amended field rules as requested by Ellora.

### **DISCUSSION OF THE EVIDENCE**

The Huxley (6100) Field was discovered in December 1980 and is a non-associated gas field with 62 producing wells. The Duncan Cemetery (James Lime) Field was discovered in April 1983 and there are six gas wells in this field. The Duncan Cemetery (James Lime) Field operates under Statewide Rules. The discovery wells for the two fields are several miles apart and the fields have grown together with development. For the last several years, new wells in the fields have been horizontal drainhole wells, which are more suitable for recovering reserves in the fractured James Lime reservoir than vertical wells.

Ellora analyzed nine wells in the Huxley (6100) Field and four wells in the Duncan Cemetery (James Lime) Field. These wells have net pay in the James Lime ranging from

23 feet to 62 feet. Estimated ultimate recoveries range from less than 0.5 BCF to over 5 BCF of gas. Based on this data, drainage areas for vertical wells were calculated for the 13 wells and range from less than 40 acres to 680 acres. Ellora requests a minimum density of 160 acres because it is not possible to fit a horizontal drainhole on a 40 acre unit in accordance with the proposed spacing rule and the length of the usual drainhole.

Ellora requests that the Huxley (6100) Field be designated as the correlative interval from 6,054 feet to 6,302 feet as shown on the log of the Brett No. 1H. This interval includes nine separate James Lime members and a two factor allocation formula is therefore required. Ellora requests that allocation be based on 95% deliverability and 5% acreage. The allocation formula in the Huxley (6100) Field is currently suspended and Ellora requests continuation of that status.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The Huxley (6100) Field was discovered in December 1980 and is a non-associated gas field with 62 producing wells. The field operates under Statewide Rules for vertical wells and also has special rules for horizontal wells.
3. The Duncan Cemetery (James Lime) Field was discovered in April 1983 and there are six gas wells in this field. The Duncan Cemetery (James Lime) Field operates under Statewide Rules.
4. The two fields have grown together over time and field designations for many wells are overlapping. Horizontal drainhole wells are being drilled to develop the field.
5. Drainage area calculations demonstrate the varying capabilities of vertical wells in the fields.
  - a. For 13 wells analyzed, net pay in the James Lime ranges from 23 feet to 62 feet and estimated ultimate recoveries range from less than 0.5 BCF to over 5 BCF of gas.
  - b. The calculated drainage areas for the 13 wells range from less than 40 acres to 680 acres.
6. A two factor allocation formula based on 95% deliverability and 5% acreage for the Huxley (6100) Field meets statutory requirements for combining the

various separate James Lime members into a single field.

**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 Duncan Cemetary (James Lime) Field into the Huxley (6100) Field and amending the field rules for the Huxley (James Lime) Field is necessary to prevent waste and protect correlative rights.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the Duncan Cemetary (James Lime) Field be consolidated into the Huxley (6100) Field and that the field rules for the Huxley (6100) Field be amended as proposed by Ellora.

Respectfully submitted,

Donna K. Chandler  
Technical Hearings Examiner