

OIL AND GAS DOCKET NO. 7C-0273137

THE APPLICATION OF JAMEX, INC. TO CONSOLIDATE THE BIG LAKE, WEST (FUSSELMAN) FIELD INTO THE BIG LAKE, W. (ELLENBURGER) FIELD AND TO ADOPT FIELD RULES FOR THE BIG LAKE, W. (ELLENBURGER) FIELD, REAGAN COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: December 5, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Rick Johnston

Jamex, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Jamex, Inc. ("Jamex") requests to consolidate the Big Lake, West (Fusselman) Field, ID No. 07927 400, into the Big Lake, W. (Ellenburger) Field, ID No. 07927 200.

Jamex requests that the Big Lake, W. (Ellenburger) Field be classified as associated-prorated and that the following Field Rules be adopted:

1. Designation of the field as the entire correlative interval between 8,894 feet and 9,788 feet as shown on the log of the Jamex, Inc. - University Lands 11-9 Lease, Well No. 1R (API No. 42-383-37347);
2. 467'-660' well spacing;
3. 160 acre units;
4. Gas allocation based on 10% acres and 90% deliverability with AOF status and a top oil allowable based on the 1965 Yardstick Allowable of 402 barrels of oil per day.

At the hearing, the examiner suggested that the allocation formula be based on 100% acres, as the producing formation was the same in both fields. Jamex did not consider this recommendation to be adverse.

The application was unopposed and the examiners recommend approval of Jamex's request for field consolidation and Field Rules.

DISCUSSION OF THE EVIDENCE

The Big Lake, West (Fusselman) Field was discovered in April 1953 at an average depth of 9,400 feet. The field is classified as associated-one well and operates under Statewide Rules. There are no wells carried on the proration schedules. Cumulative production from the field through October 2011 is approximately 3.0 MBO.

The Big Lake, W. (Ellenburger) Field was discovered in February 1953 at an average depth of 9,200 feet. The field is classified as an oil field and operates under Statewide Rules. There are no wells carried on the proration schedule. Cumulative production from the field through October 2011 is approximately 422.1 MBO and 30.4 MMCFG.

Jamex is proposing to consolidate the Big Lake, West (Fusselman) Field into the Big Lake, W. (Ellenburger) Field. The field will be classified as associated-prorated, since the consolidated field contains lenticular oil zones and there is no defined gas cap present. The proposed designated interval for the consolidated field is the entire correlative interval from 8,894 feet to 9,788 feet as shown on the log of the Jamex, Inc. - University Lands 11-9 Lease, Well No. 1R (API No. 42-383-37347), Section 9, Block 11, University Lands Survey, A-U251, Reagan County, Texas. This interval includes all of the productive portions of the Ellenburger formation. The two subject fields are geographically intermingled. There are no other fields contained within the proposed correlative interval and both of the fields produce from the same geologic Ellenburger formation. A depletion drive is the primary drive mechanism.

Jamex has drilled and completed two wells and will be actively developing the field by drilling additional infill wells. Well spacing of 467'-660' and 160 acre units will provide flexibility in locating wells for future development in the Big Lake, W. area. From the available reservoir data, Jamex estimated an average porosity of 5%, an average water saturation of 31%, an average net pay of 16 feet and a recovery factor of 25%. Jamex calculated the drainage area for two plugged wells on the Texaco Inc. - State of Texas AC Lease. The calculated drainage area for each well was 163 acres.

Jamex agreed with the examiners that the allocation formula should be based on 100% acres, as the producing formation is the same in both fields. Jamex requests that the top oil allowable be based on the 1965 Yardstick Allowable of 402 barrels of oil per day. In addition, Jamex requests that the gas allocation formula be suspended, as there is a 100% market demand for all of the gas produced from the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Big Lake, West (Fusselman) Field was discovered in April 1953 at an average depth of 9,400 feet.
 - a. The field is classified as associated-one well and operates under Statewide Rules.
 - b. There are no wells carried on the proration schedules.
3. The Big Lake, W. (Ellenburger) Field was discovered in February 1953 at an average depth of 9,200 feet.
 - a. The field is classified as an oil field and operates under Statewide Rules.
 - b. There are no wells carried on the proration schedule.
 - c. Jamex has drilled and completed two wells and will be actively developing the field by drilling additional infill wells.
4. The Big Lake, West (Fusselman) Field should be consolidated into the Big Lake, W. (Ellenburger) Field and be classified as associated-prorated.
5. The designated interval for the consolidated field should be the entire correlative interval from 8,894 feet to 9,788 feet as shown on the log of the Jamex, Inc. - University Lands 11-9 Lease, Well No. 1R (API No. 42-383-37347), Section 9, Block 11, University Lands Survey, A-U251, Reagan County, Texas.
 - a. This interval includes all of the productive portions of the Ellenburger formation.
 - b. The two subject fields are geographically intermingled.
 - c. There are no other fields contained within the proposed correlative interval and both of the fields produce from the same geologic Ellenburger formation.
6. Well spacing of 467'-660', and 160 acre units will provide flexibility in locating wells for future development in the Big Lake, W. area.

7. The calculated drainage area for two plugged wells on the Texaco Inc. - State of Texas AC Lease is 163 acres per well.
8. Allocation based on 100% acres is appropriate for the field, as the producing formation is the same in both fields.
9. A top oil allowable based on the 1965 Yardstick Allowable of 402 barrels of oil per day is appropriate.
10. Classification of the associated gas field as associated-49(b) is not necessary to prevent waste, since the consolidated field contains lenticular oil zones and there is no defined gas cap present.
11. Suspension of the gas allocation formula in the consolidated field is appropriate since there is a 100% market demand for all of the gas produced from the 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 Big Lake, West (Fusselman) Field into the Big Lake, W. (Ellenburger) Field and adoption of Field Rules for the Big Lake, W. (Ellenburger) Field will prevent waste, protect correlative rights and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission consolidate the Big Lake, West (Fusselman) Field into the Big Lake, W. (Ellenburger) Field and adopt Field Rules for the Big Lake, W. (Ellenburger) Field, as requested by Jamex, Inc.

Respectfully submitted,

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Technical Examiner

Michael Crnich
Legal Examiner