



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NOS. 01-0246787 AND 01-0246788

THE APPLICATION OF LAKEWOOD OPERATING LTD. FOR TEMPORARY FIELD RULES FOR THE JOHN T. SAUNDERS (WILCOX) FIELD AND JOHN T. SAUNDERS (WILCOX 5120) FIELD, LA SALLE COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: March 21, 2006

Hearing held: April 20, 2006

Appearances

Dale Miller

Representing

Lakewood Operating Ltd.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Lakewood Operating, Ltd. ("Lakewood") wants the following temporary field rules for the John T. Saunders (Wilcox) Field and John T. Saunders (Wilcox 5120) Field:

1. Designated intervals between 5116' and 5144' for the John T. Saunders (Wilcox 5120) Field, and between 5262' and 5330' for the John T. Saunders (Wilcox) Field; both as shown on the log of the Lakewood Burks (shown as Bursk on the log) Ranch Lease, Well No. 4;
2. 660'-1320' well spacing;
3. 160 acre gas proration units with a maximum diagonal of 4500'; and
4. allocation based on acreage.

The examiner recommends approval of the temporary field rules for an 18 month period.

DISCUSSION OF THE EVIDENCE

The discovery well of both the John T. Saunders (Wilcox) Field and (Wilcox 5120) Field, Lakewood's Burks Ranch Lease Well No. 4, was drilled in May, 2005. This well was perforated from 5264' to 5280' in the John T. Saunders (Wilcox) Field, and had an AOF test rate of 6246 MCFD. A

separate completion was made through perforations from 5118' to 5130' as the John T. Saunders (Wilcox 5120) Field, with an AOF test rate of 4500 MCFD. The sandstone in the John T. Saunders (Wilcox) Field is found between 5262' and 5330' in the log of the Burks Ranch No. 4. The sandstone in the John T. Saunders (Wilcox 5120) Field is found between 5116' and 5144' in the log of the same well.

The Burks Ranch No. 4 has produced 284 MMCF from the John T. Saunders (Wilcox) Field; and 57 MMCF from the John T. Saunders (Wilcox 5120) Field, though loading is now preventing the casing side from producing. The other well in both fields is Lakewood's Brown Lease Well No. 1, which was completed 2000' northeast of the discovery well in September of 2005. This well has produced 63 MMCF from the John T. Saunders (Wilcox) Field and 75 MMCF from the John T. Saunders (Wilcox 5120) Field.

The porosity in both fields is 26%, and the water saturation averages 64% in the John T. Saunders (Wilcox) Field and 62% in the John T. Saunders (Wilcox 5120) Field. Both fields have net pay of 16'. The initial pressure in the John T. Saunders (Wilcox) Field was 2375 psi and in the John T. Saunders (Wilcox 5120) Field was 1526 psi. Assuming 80% recovery, there are 1.3 BCF recoverable underneath 160 acres in the John T. Saunders (Wilcox) Field and 861 MMCF under 160 acres in the John T. Saunders (Wilcox 5120) Field.

The applicant assumed an economic limit for a well in each field of 50 MCFD and a 25% decline rate, though neither field has much production history. The estimated ultimate recovery of the Burks Ranch Well No. 4 is 1.44 BCF from the John T. Saunders (Wilcox) Field for a drainage area of 176 acres. The estimated ultimate recovery from the Brown Well No. 1 in this field is 986 MMCF, for a drainage area of 120 acres. In the John T. Saunders (Wilcox 5120) Field, the estimated ultimate recovery of the Brown Well No. 1 is 1 BCF for a drainage area of 187 acres.

Lakewood plans additional drilling and is requesting 660'-1320' well spacing to allow for eventual infill drilling if necessary. Allocation based on acreage will protect correlative rights.

FINDINGS OF FACT

1. Notice of these hearings was issued to all offset operators and unleased mineral interest owners of the discovery well of the John T. Saunders (Wilcox) Field and John T. Saunders (Wilcox 5120) Field on April 6, 2006.
2. The John T. Saunders (Wilcox) Field and John T. Saunders (Wilcox 5120) Field were discovered by the Lakewood Operating Ltd. Burks Ranch Lease Well No. 4 which was drilled in May, 2005.
3. The discovery well was perforated from 5264' to 5280' in the John T. Saunders (Wilcox) Field, and from 5118' to 5130' in the John T. Saunders (Wilcox 5120) Field.
4. In the discovery well, the producing sandstones of the John T. Saunders (Wilcox) Field extends from 5262' to 5330', and of the John T. Saunders (Wilcox 5120) Field extends from 5116' and 5144'.

5. Cumulative production is 348 MMCF from the John T. Saunders (Wilcox) Field, and 133 MMCF from the John T. Saunders (Wilcox 5120) Field.
6. Field rules specifying 160 acre density are appropriate for temporary field rules.
 - a. There are an estimated 1.3 BCF recoverable underneath 160 acres in the John T. Saunders (Wilcox) Field and an estimated 861 MMCF under 160 acres in the John T. Saunders (Wilcox 5120) Field.
 - b. The estimated ultimate recovery of the Burks Ranch Well No. 4 is 1.44 BCF from the John T. Saunders (Wilcox) Field for a drainage area of 176 acres.
 - c. The estimated ultimate recovery of the Brown Well No. 1 from the John T. Saunders (Wilcox) Field is 986 MMCF, for a drainage area of 120 acres.
 - d. In the John T. Saunders (Wilcox 5120) Field, the estimated ultimate recovery of the remaining producing well, the Brown Well No. 1, is 1 BCF for a drainage area of 187 acres.
6. Minimum well spacing of 660' from lease lines and 1320' between wells is common for temporary field rules with 160 acre density and will allow for eventually infill drilling if necessary.
7. An allocation formula based on acreage will protect correlative rights.


CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Granting the requested temporary field rules for the John T. Saunders (Wilcox) Field and John T. Saunders (Wilcox 5120) Field will prevent waste, protect correlative rights and promote further development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested temporary field rules for the John T. Saunders (Wilcox) Field and John T. Saunders (Wilcox 5120) Field, to be reviewed in 18 months, as per the attached order.

Respectfully submitted,


Margaret Allen
Technical Hearings Examiner