



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 01-0246789

THE APPLICATION OF LAKEWOOD OPERATING LTD. FOR TEMPORARY FIELD RULES FOR THE JOHN T. SAUNDERS (WILCOX 5380) 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 5380) Field:

1. Designated interval between 5380' and 5452' as shown on the log of the Lakewood Burks Ranch Lease, Well No. 3;
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 the John T. Saunders (Wilcox 5380) Field, Lakewood's Burks Ranch Lease Well No. 3, was drilled in May, 2005. This well was perforated from 5383' to 5389', and had a maximum AOF rate of 18,600 MCFD. The Wilcox 5380 sandstone is found between 5380' and 5452' in the discovery well. Two additional wells were drilled in August of 2005 and cumulative field production is 441 MMCF.

The average porosity is 27%, the water saturation averages 63% and the net pay is 19'. The initial pressure was 4237 psi. Assuming 80% recovery, there are 1.7 BCF recoverable underneath 160 acres in this field. The applicant assumed an economic limit for each well of 50 MCFD and a 25% decline rate. The estimated ultimate recovery of the discovery well is 1.9 BCF for a drainage area of 181 acres, and of the Burks Ranch Lease Well No. 6 is 686 MMCF for a drainage area of 64 acres. The third well has already watered out after producing 78 MMCF of gas.

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 5380) Field on April 6, 2006.
2. The John T. Saunders (Wilcox) Field was discovered by the Lakewood Operating Ltd. Burks Ranch Lease Well No. 3, which was drilled in May, 2005.
3. The discovery well was perforated from 5383' to 5389' in a Wilcox sandstone which occurs between 5380' and 5452'.
4. Cumulative production from the three wells completed in the field is 441 MMCF of gas.
5. Field rules specifying 160 acre density are appropriate for temporary field rules.
 - a. There are an estimated 1.7 BCF recoverable underneath 160 acres.
 - b. The estimated ultimate recovery of the Burks Ranch Well No. 3 is 1.9 BCF for a drainage area of 181 acres.
 - c. The estimated ultimate recovery of the Burks Ranch Well No. 6 is 686 MMCF for a drainage area of 64 acres.
 - d. The third well has already watered out.
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

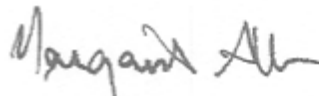
1. Proper notice was issued as required by all applicable codes and regulatory statutes.

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 5380) 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 5380) Field, to be reviewed in 18 months, as per the attached order.

Respectfully submitted,



Margaret Allen
Technical Hearings Examiner