

THE APPLICATION OF PIONEER NATURAL RESOURCES USA, INC. TO CONSIDER PERMANENT FIELD RULES FOR THE THREE RIVERS (EDWARDS) FIELD, LIVE OAK COUNTY, TEXAS

Heard by: Donna K. Chandler on December 7, 2006

Appearances:

George C. Neale
Marshall Eves
Katherine Hartig

Representing:

Pioneer Natural Resources USA, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pioneer Natural Resources USA, Inc. requests that permanent field rules be adopted for the Three Rivers (Edwards) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 13,170 feet to 13,700 feet as shown on the log of the Harry Schultz No. 1 Well (API No. 297-34623);
2. 330' - 330' well spacing; no between well spacing requirement between a vertical well and a horizontal well;
3. 40 acre gas units with 10% tolerance; optional 20 acre units with a maximum diagonal of 2,100 feet;
4. Allocation based on 95% acreage and 5% deliverability, with continued suspension of the allocation formula.

This application was unopposed and the examiner recommends adoption of the permanent field rules proposed by Pioneer Natural Resources USA, Inc.

DISCUSSION OF EVIDENCE

The Three Rivers (Edwards) Field was discovered in May 1981 upon completion of the Harry J. Schultz No. 1 by Stetson Oil. This well was a vertical completion which was plugged in 1992. Pioneer recently re-entered the well and completed it with a horizontal lateral. There are currently five producing wells in the field. All of the producing wells are horizontal wells operated by Pioneer. Cumulative production from the field is 8.5 BCF of gas.

The Schulz Unit No. 2A has a horizontal lateral of less than 200 feet. In this well, average porosity of the reservoir is 7%, average water saturation is 16% and net pay is 280 feet. This well has produced 3.24 BCF of gas since 1997. Recoverable gas beneath 40 acres is estimated to be 5.38 BCF of gas. This well should adequately drain 40 acres. The H. Schulz No. 4H also has a lateral of less than 200 feet. Using parameters for this well, recoverable reserves beneath 40 acres are 4.8 BCF of gas. This well has produced 1.9 BCF since 1999. The discovery well for the field, the Harry J. Schultz No. 1 produced 732 MMCF as a vertical completion. The calculated drainage area from this well is only about 10 acres.

There are several Edwards fields in the Stuart City Reef trend. The Pawnee (Edwards) Field is adjacent to the Three Rivers (Edwards) Field to the northeast. In Pawnee, the reservoir quality is much better and the field operates under a 160/optional 20 acre density rule. The spacing rule in Pawnee is identical to the rule requested for the Three Rivers (Edwards) Field. Field rules for the Pawnee (Edwards) Field. The rules in Pawnee also provide for "0" between well spacing between horizontal and vertical wells. Pioneer is actively developing the subject field with horizontal wells.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Three Rivers (Edwards) Field was discovered in May 1981 upon completion of the Harry J. Schulz No. 1 by Stetson Oil.
3. There are currently five producing wells in the field, all horizontal wells operated by Pioneer. Pioneer is actively drilling additional wells in the field.
3. Rules providing for 40 acre/optional 20 density are appropriate for the Three Rivers (Edwards) Field on a permanent basis.
 - a. The Schulz Unit No. 2A and the H. Schulz No. 4H have laterals of less than 200 feet. Volumetric calculations indicate that these two wells will adequately drain 40 acres.

- b. The discovery well for the field, the Harry J. Schultz No. 1 produced 732 MMCF as a vertical completion. The calculated drainage area from this well is only about 10 acres.
4. Spacing a minimum of 330 feet from lease lines, 330 feet between wells and no minimum required distance between a vertical well and a horizontal well is appropriate to facilitate recompletions in the Three Rivers (Edwards) Field. An identical spacing rule governs the adjacent Pawnee (Edwards) Field.
5. Allocation based on 95% per acreage and 5% deliverability is a reasonable method of allocation which will protect the correlative rights of mineral owners in the field and meet statutory requirements .

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Adoption of the proposed field rules for the Three Rivers (Edwards) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends adoption of permanent field rules for the Three Rivers (Edwards) Field as set out in the attached Final Order.

Respectfully submitted,

Donna K. Chandler
Technical Examiner