

THE APPLICATION OF DELTA EXPLORATION COMPANY TO AMEND FIELD RULES FOR THE NEWTON FIELD, NEWTON COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: May 11, 2006

Hearing held: May 25, 2006

Appearances

Tom Weber
John Miller

Representing
Delta Exploration Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Newton Field were adopted in Final Order No. 03-0222493, issued effective October 5, 1999. The rules in the Final Order can be summarized as follows:

1. Designated interval between 9660' and 11,600' as shown on the log of the Alpine Resources, Inc. (now Delta Exploration Company) Burns Lease Well No. 2; and
2. Allocation based 5% per well and 95% on potential.

Delta Exploration Company (Delta") is requesting that a spacing rule of 330'-660' be added.

DISCUSSION OF THE EVIDENCE

The Newton Field was discovered in 1949 and has 26 oil wells, though not all are active. Delta purchased the field in 2004 and is continuing active drilling. The previous operator began a drilling program in 1999, which increased production from 800 barrels to 20,000 barrels per month and oil rates are still climbing. Cumulative production is 2 million barrels of oil and 3.9 BCF.

The designated interval includes 12 sandstones that extend from the Wilcox 1 down through the Wilcox 11450 sandstone. Some of these sands have completion difficulties, and have not been completed in certain wells even where oil-bearing. Also, many of the older wells were not drilled deep enough to see all of the producing sandstones. As Delta has infill drilled to reach both bypassed and deeper sandstones, it has encountered several Rule 37 problems.

Ten wells have been granted exceptions to Rule 37, nine of them because wells were drilled too close to lease lines. The proposed spacing rule of 330' to lease lines and 660' between wells would have

eliminated the necessity for four of these exceptions. Also, this field is located in and around wetlands and extra flexibility in locating wells will allow them to be drilled in less sensitive areas. The surface is the site of timber plantations which can cause additional problems locating drilling sites.

FINDINGS OF FACT

1. Notice of this hearing was mailed to all operators in the Newton Field on May 15, 2006.
2. The Newton Field was discovered in 1949 and has 26 oil wells, though not all are active.
3. The designated interval includes 12 sandstones that extend from the Wilcox 1 down through the Wilcox 11450 sandstone.
4. The field is developing rapidly with infill wells targeted for bypassed and deeper sands and already 10 Rule 37 exceptions have been necessary for the infill wells.
5. Well spacing of 330' from lease lines and 660' between wells is appropriate.
 - a. All of the wells are operated by the applicant.
 - b. The proposed spacing will eliminate the necessity for Rule 37 exceptions for some of the additional wells necessary to drain this field.
 - c. This field is located in and around wetlands and extra flexibility in locating wells will allow them to be drilled in less sensitive areas.
 - d. The surface is the site of timber plantations which can cause additional problems locating drilling sites.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The requested field rule will prevent waste, protect correlative rights and promote orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the request by Delta Exploration Company to add a spacing rule for the Newton Field, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner