

OIL AND GAS DOCKET NO. 04-0255143

THE APPLICATION OF EL PASO E&P ZAPATA, LP TO ADOPT RULE NO.1 FOR THE MUNOZ (LOBO) FIELD) FIELD, ZAPATA COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on February 15, 2008

Appearances:

Jim Cowden
John F. Miller

Representing:

El Paso E&P Zapata, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

El Paso E&P Zapata, LP requests that Field Rule No. 1 for the Munoz (Lobo) Field be adopted. The field is currently governed by Statewide Rules that provide for a 467'-1,200' well spacing. El Paso requests that the between well spacing be reduced from 1,200' to 933'. El Paso proposes the following Rule No.1 for the field:

1. 467'-933' well spacing;

The allocation formula is suspended and El Paso request the allocation formula remain suspended. El Paso requests the drilling unit remain at 40 acre units. This application was unopposed and the examiner recommends that the field rules for the Munoz (Lobo) Field be amended as proposed by El Paso E&P Zapata, LP.

DISCUSSION OF EVIDENCE

The Munoz (Lobo) Field was discovered in 1985 as a non-associated gas field. There are a total of 65 wells completed in the field. El Paso E&P Zapata LP currently operates 2 of the wells and there are an additional 8 operators in the field.

The Munoz (Lobo) Field is undergoing active development with infill drilling and has produced over 107.9 BCF of gas. The Munoz (Lobo) Field is commonly commingled with

the Haynes (Middle Wilcox Cons.) Field found above the field. The two fields have had 88 exception to SWR 10 permits approved. There have been 57 Rule 37 exceptions approved due to there being less than 1,200 feet between well spacing. The new wells drilled are targeting both the Munoz (Lobo) and Haynes (Middle Wilcox Cons.) Fields.

The reservoirs for both the Munoz (Lobo) Field and the Haynes (Middle Wilcox Cons.) Field are highly faulted and are designated as tight. Reducing the between well spacing from 1,200 feet to 933 feet will allow operators in the fields to place wells at additional locations without the need for numerous Rule 37 exceptions. Retaining the 40 acre drilling units will allow infill drilling to recover additional reserves that would otherwise go unrecovered. The allocation formula has been suspended since 1993.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Munoz (Lobo) Field is governed by Statewide Rules that provide 467'-1,200' well spacing, 40 acre gas units. The allocation formula is suspended.
3. There are currently 65 wells producing from the field. A total of 107.9 BCF of gas has been produced from the field.
4. The Munoz (Lobo) Field is undergoing active development with infill drilling and is commonly commingled with the Haynes (Middle Wilcox Cons.) Field.
5. The reservoirs for both the Munoz (Lobo) Field and the Haynes (Middle Wilcox Cons.) Field are highly faulted and are designated as tight.
6. The two fields have had 88 exception to SWR 10 permits approved. There have been 57 Rule 37 exceptions approved in the Munoz (Lobo) Field due to there being less than 1,200 feet between well spacing.
7. Reducing the between well spacing from 1,200 feet to 933 feet will allow operators in the fields to place wells at additional locations without the need for numerous Rule 37 exceptions.
8. Retaining the 40 acre units will allow infill drilling to recover additional reserves that would otherwise go unrecovered.
9. The allocation formula has been suspended since 1993.

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. Adopting Field Rule No.1 for the Munoz (Lobo) 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 that the Commission adopt the Field Rule No.1 for the Munoz (Lobo) Field as proposed by El Paso E&P Zapata LP.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner