

THE APPLICATION OF KERR-MCGEE OIL AND GAS ONSHORE LP TO AMEND FIELD RULES FOR THE FLORES (VICKSBURG, LOWER) FIELD, STARR AND HIDALGO COUNTIES, TEXAS

Heard by: Donna K. Chandler on October 3, 2008

Appearances:

Ana Maria Marsland-Griffith
David Christian

Representing:

Kerr-McGee Oil and Gas Onshore LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Flores (Vicksburg, Lower) Field were originally adopted on March 31, 1986 in Order No. 4-87,027. The rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 5,928 feet to 11,840 feet as shown on the log of the Yturria L&C -B- No. 1;
2. 467'-933' well spacing;
3. 160 acre gas units with 10% tolerance; optional 80 acre units;
4. 95% deliverability and 5% per well.

Kerr-McGee requests that the field rules be amended as follows:

1. Designation of the field as the correlative interval from 5,454 feet to 12,160 feet as shown on the log of the I. Y. Garcia No. 11;
2. 330'-0' well spacing;
3. 160 acre units with optional 20 acre units, with no requirement to file P-15 and plat;

4. Allocation based on 95% deliverability and 5% per well, with AOF status;
5. Annual G-10 testing.

Kerr-McGee also requests that 15 wells be transferred from various fields into the Flores (Vicksburg, Lower) Field.

This application was unopposed and the examiner recommends that the field rules for the Flores (Vicksburg, Lower) Field be amended as proposed by Kerr-McGee.

DISCUSSION OF THE EVIDENCE

The Flores (Vicksburg, Lower) Field was formed in 1986 as a result of the consolidation of several fields. The field is classified as non-associated and there are 92 wells in the field. Kerr-McGee operates the majority of the wells, but there are five other operators in the field.

Kerr-McGee proposes that the designated interval be expanded to include the Samano and Flores sands at the top of the Vicksburg which are not included within the current designated interval. Kerr-McGee proposes that the Flores (Vicksburg, Lower) Field be designated to include the entire Vicksburg, from the base of the Frio to the top of the Eocene, found between 5,454 feet and 12,160 feet as shown on the log of the I. Y. Garcia No. 11.

Kerr-McGee recently took over operations in this area. On its leasehold, wells are carried in several field names which productive intervals are included within the current correlative interval for the Flores (Vicksburg, Lower) Field. Kerr-McGee requests that 15 of its wells carried in seven different fields be transferred into the Flores (Vicksburg, Lower) Field.

Kerr-McGee submitted drainage calculations for 15 wells. For these wells, net pay ranges from 46 feet to almost 269 feet and estimated ultimate recoveries range from 243 MMCF to 35 BCF. The calculated drainage areas range from less than 5 acres to 90 acres, with an average of 27 acres for the 15 wells studied. These calculations indicate that an optional 20 acre density rule is appropriate for the Flores (Vicksburg, Lower) Field.

The Vicksburg section in this area is complexly faulted, resulting in numerous separate reservoirs. Pay thicknesses vary significantly due to some sands being faulted out. Reservoir size is often limited by the presence of faulting. On this basis, Kerr-McGee requests that the between-well spacing rule be eliminated. A two-factor allocation formula based on 95% deliverability and 5% per well is already in effect for the field. The allocation formula in the field is currently suspended.

Additionally, Kerr-McGee requests that G-10's continue to be required on an annual basis instead of semi-annually as required by Rule 28. This annual testing had previously been approved in 2005 in Docket No. 02-0241088.

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 Flores (Vicksburg, Lower) Field was formed in 1986 as a result of the consolidation of several fields. The field is classified as non-associated and there are 92 wells in the field. G-10 testing is required on an annual basis instead of a semi-annual basis.
3. Field rules for the Flores (Vicksburg, Lower) Field provide for 467'-933' well spacing, 160 acre gas units, 80 acre optional units and allocation based on 95% deliverability and 5% per well. The field is AOF.
4. The interval for the Flores (Vicksburg, Lower) Field should be expanded to include the entire Vicksburg from the base of the Frio to the top of the Eocene. This is the correlative interval from 5,454 feet to 12,160 feet as shown on the log of the I. Y. Garcia No. 11.
5. A density rule providing for 160/optional 20 acre density is appropriate for the Flores (Vicksburg, Lower) Field.
 - a. For 15 wells studied, net pay ranges from 46 feet to almost 269 feet and estimated ultimate recoveries range from 243 MMCF to 35 BCF.
 - b. The calculated drainage areas for the 15 wells range from less than 5 acres to 90 acres, with an average of 27 acres for the 15 wells studied.
6. Minimum well spacing of 330 feet from lease lines and no between-well spacing limitation is necessary to provide flexibility in developing the field. The Vicksburg is complexly faulted and reservoir size is often limited by the presence of faulting.
7. Annual G-10 wells tests for wells in the Flores (Vicksburg, Lower) Field has already been approved by the Commission.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.

2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Amending field rules and transferring wells into the Flores (Vicksburg, Lower) Field is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the field rules for the Flores (Vicksburg, Lower) Field name be amended as proposed by Kerr-McGee. It is further recommended that the 15 wells listed in Attachment A be transferred to the Flores (Vicksburg, Lower) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner

ATTACHMENT A

| RRC ID | Lease Name | No. | Field Name |
|---------------|-----------------------|------------|---------------------------------|
| 197657 | VAN SCHERPE PETER1 | | JEFFRESS (VICKSBURG T) |
| 122994 | VAN SCHERPE PETER3J | | JEFFRESS (VICKSBURG S) |
| 153956 | YTURRIA L&L -C- | 1 | FLORES (5600) |
| 125959 | SCHERP PETER VAN | 4 | JEFFRESS (VICKSBURG U FB-2) |
| 147367 | VAN-SCHERPE PETER | 5 | JEFFRESS (VICKSBURG U FB-2) |
| 181450 | YTURRIA | 1C | FLORES (5300) |
| 195891 | VAN SCHERPE PETER6 | | JEFFRESS (VICKSBURG U) |
| 198149 | PETER VAN SCHERPE7 | | JEFFRESS (VICKSBURG U) |
| 199222 | SCHERPE PETER VAN8 | | JEFFRESS (VICKSBURG U) |
| 201085 | SCHERPE PETER VAN9 | | JEFFRESS (VICKSBURG U FB-2) |
| 216119 | GARZA STATE | 1 | JEFFRESS (VICKSBURG S) |
| 165294 | GARCIA I Y | 10 | FLORES, W. (VKSBRG GEOPRESSURE) |
| 163560 | GARCIA I Y | 13 | FLORES, W. (VKSBRG GEOPRESSURE) |
| 203555 | GARCIA-YTURRIA -A- GU | 1 | FLORES, W.(VKSBRG GEOPRESSURE) |
| 201141 | GARCIA I Y | 31 | FLORES, W. (VKSBRG GEOPRESSURE) |

