

THE APPLICATION OF LEWIS PETRO PROPERTIES, INC. TO AMEND FIELD RULES FOR THE OWEN (OLMOS) FIELD, WEBB COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on May 25, 2011

Appearances:

Keith B. Masters, P.E.

Representing:

Lewis Petro Properties, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Owen (Olmos) Field were last amended in Order No. 04-0263220, effective January 12, 2010. The rules in effect for the field are summarized as follows:

1. Designation of the field as the entire correlative interval from 5,050' to 7,014' as shown on the Induction log of the Webb County School Land Lease Well No. 1, A-504;
2. 467'-660' well spacing, with special provisions for take points in horizontal wells; no minimum between well spacing between horizontal and vertical wells;
3. 320 acre density with optional 40 acre density; formula for determining additional acreage assignable to horizontal wells;
4. Allocation based on 50% acreage and 50% deliverability, with AOF status.

Lewis Petro Properties, Inc. requests that the Rule 2 be amended to allow off-lease penetration points. The examiner recommends that the field rules for the Owen (Olmos) Field be amended as proposed by Lewis Petro Properties, Inc.

DISCUSSION OF EVIDENCE

The Owen (Olmos) Field was discovered in November 1971 at a depth of 6,979 feet. The field is designated as an associated field with 299 gas wells and no oil wells in the field. Lewis Petro operates approximately 200 of the wells in the field. The field was consolidated with 14 other fields on January 12, 2010 per Oil and Gas Docket No. 04-0263220. The field operates under Special Rules that allow 320/40 acre density and 467'/660', 0' between vertical/horizontal well spacing, take point language and the

allocation formula is currently suspended.

Operators are currently developing other fields in the area with horizontal wellbores. Lewis Petro requests similar horizontal well rules that are approved for other horizontal plays in Texas. The primary target for horizontal development is the Second Escondido Sand found approximately 200 feet below the top of the designated interval. The Second Escondido Sand is a sand /shale sequence that is found in most wells throughout the area.

Lewis Petro requests that field Rule 2 for the subject field provide for off-lease penetration points. Statewide Rule 86 requires that the penetration point of a horizontal drainhole be on the lease. In some cases, it is beneficial to penetrate the reservoir off lease, while still having "take points" no closer to lease lines than allowed under the field rules. Similar rules allowing offsite penetration points have been adopted in other fields, after notice to the mineral owners of the off-lease tract on which the penetration point is to be located. A wellbore requires up to 600 feet of lateral distance to turn from vertical to horizontal. By allowing off-lease penetration an additional 600 feet of the reservoir is exposed to the horizontal lateral and drained. These reserves are estimated to be an additional 10% of a well's original EUR. These reserves would go unrecovered if off-lease penetration is not approved.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Owen (Olmos) Field is an associated field with 299 gas wells and no oil wells which operates under Special Rules and has AOF status. The field is under going horizontal development.
3. The Owen (Olmos) Field was discovered in November 1971 at a depth of 6,979 feet. The field was consolidated with 14 other fields on January 12, 2010 per Oil and Gas Docket No. 04-0263220.
4. The primary target for horizontal development is the Second Escondido Sand found approximately 200 feet below the top of the designated interval. The Second Escondido Sand is a sand /shale sequence that is found in most wells throughout the area.
5. A vertical well completed in the Owen (Olmos) Field requires up to 600 feet of lateral distance to complete a turn from vertical to horizontal.
6. Allowing off-lease penetration points, after notice to mineral owners of the offsite tract, will result in maximizing the producing drainhole length, thereby increasing ultimate recovery from horizontal drainhole wells.

7. A typical horizontal well may gain up to 600 feet of horizontal drainhole contact with the reservoir. The gain in contact with the reservoir it is estimated to increase the ultimate recovery of a well by 10%.
8. Numerous other fields that are developed with horizontal wells have adopted similar rules to help maximize recovery and prevent waste.

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. Amending the field rules for the Owen (Olmos) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend the field rules for the Owen (Olmos) Field as proposed by Lewis Petro Properties, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner