

THE APPLICATION OF BURLINGTON RESOURCES O & G CO., L.P. TO AMEND THE FIELD RULES FOR THE ICI (GEORGETOWN) FIELD, ROBERTSON & BRAZOS COUNTIES, TEXAS

Heard by: Andres J. Trevino, P.E. on July 17, 2009

Appearances:

Jaime Nielson
Greg Cloud

Representing:

Burlington Resources O & G Co., L.P.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Burlington requests that the correlative interval for the ICI (Georgetown) Field be expanded to include an additional productive carbonate. Burlington proposes that the field be defined as the correlative interval between 6,532 feet and 7,912 feet as shown on the log of the Smith No. 1. Burlington requested an allocation formula based on 75% acreage and 25% per well in the notice, then requested a two factor allocation based on 95% acreage and 5% per well after the hearing.

This application was unopposed and the examiner recommends approval of Burlington's request to expand the correlative interval for the field and approve a two factor allocation.

DISCUSSION OF THE EVIDENCE

The ICI (Georgetown) Field was discovered in June 1985 upon completion of the Smith No. 1. Special permanent field rules were adopted and last amended in Oil and Gas Docket No. 05-0218585 effective June 2, 1998. The field operates under Special Rules which provides for 160 acre units with additional acreage for horizontal wells and a 2.2 BO per acre allowable. The approved field interval is from 7,453 feet to 7,912 feet as shown on the log of the discovery well.

From 1985 till 1996 the field had only one active well, the Smith No. 1. The Smith No. 1 was drilled as a vertical well which produced 20,357 BO from 1985 through July 1996. The well was re-entered and recompleted as a horizontal well. The Smith No. 1 had an initial potential of 1,344 BOPD, 595 MCF of gas and no water. Since 1996 the field experienced rapid horizontal development by adding 29 horizontal well completions. The wells have high initial potentials followed by rapid decline in production. It is believed the

horizontal wells first drain the penetrated naturally occurring fractures then drain the slow draining rock matrix. Burlington has recently completed two wells in the field which are not yet on the proration schedule. The field is in a late stage of depletion. Cumulative production from the field is approximately 5.16 MMBO with 158 MBO remaining oil reserves or 97% depleted.

Burlington requests that the current field designation be expanded to include an additional productive carbonate, the Austin Chalk. The current interval includes the Buda and Georgetown limestones. Burlington proposes adding the Austin Chalk, and Eagleford Shale to the field interval. The Austin Chalk is found to be productive in the Giddings (Austin Chalk-3) Field, 2 miles to the south. Burlington will extend the life of the ICI (Georgetown) Field and its wells by drilling a lateral into the Austin Chalk.

Burlington estimates that the additional oil recovered as a result of commingling each lateral and will encourage additional drilling in the field. There are substantial drilling cost savings by drilling three laterals from one vertical well. Burlington estimates it will save two million dollars per well. Any drilling cost savings will encourage additional drilling. The combined economic limit of each wellbore can be lowered by eliminating the cost of separate completions in each zone. Burlington calculates it will recover 8,273 BO per well by extending the economic limit by commingling the three zones. Commingling has been approved by the Commission in numerous wells between the Georgetown/Buda and the Austin Chalk. The Austin Chalk has similar reservoir and fluid properties and it is not anticipated that there will be any fluid compatibility problems.

Because the proposed designated intervals contains multiple zones, a two factor allocation formula is required by statute. Burlington proposes that allocation be based on 95% acreage and 5% per well.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators of wells in the ICI (Georgetown) Field at least ten days prior to the date of hearing.
2. The ICI (Georgetown) Field was discovered in 1985. Special Field Rules were adopted in Oil and Gas Docket No. 05-0218585 effective June 2, 1998 that established a designated interval, 467'/933' well spacing, 160 acre units and 100% acreage allocation.
3. The current designated interval for the field is from 7,453 feet to 7,912 feet as shown on the log of the Smith No. 1. This interval includes the Buda and Georgetown limestones.
4. The ICI (Georgetown) Field is a mature, 97% depleted field. Adding the Austin Chalk will extend the life of existing wells.

5. The ICI (Georgetown) Field should be designated as the correlative interval from 6,532 feet and 7,912 feet as shown on the log of the Smith No. 1. This interval includes the current interval for the ICI (Georgetown) Field and adds the Austin Chalk and Eagleford Shale.
6. Expansion of the correlative interval for the field to include the Austin Chalk, and Eagleford Shale will maximize ultimate recovery by lowering the economic limit of the combined zones.
7. Commingling between the Georgetown/Buda and the Austin Chalk has been approved by the Commission in nearly 400 wells in Robertson County.
8. Expansion of the correlative interval for the field will not cause waste because the Austin Chalk has similar reservoir and fluid properties as the Georgetown/Buda formations.
9. Allocation based on 95% acreage and 5% per well is a reasonable allocation formula which satisfies statutory requirements.

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 the field rules as proposed by Burlington Resources O & G Co., L.P. 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 ICI (Georgetown) Field be amended to include a correlative interval from 6,532 feet and 7,912 feet as shown on the log of the Smith No. 1. It is further recommended that the allowable be based on 95% acreage and 5% per well for the field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Hearings Examiner