

THE APPLICATION OF PETROHAWK OPERATING COMPANY TO AMEND THE FIELD RULES FOR THE TYLER FIELD, SMITH COUNTY, TEXAS

Heard by: Donna K. Chandler on February 2, 2010.

Appearances:

Rick Johnston

Representing:

Petrohawk Operating Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Tyler Field were adopted on August 15, 1949 in Order No. 6-16,257. The rules in effect for the field are summarized as follows:

1. 467'-933' well spacing;
2. 40 acre density;
3. allocation based on 50% acreage and 50% per well, with a top allowable of 101 BOPD.
- 4.

Petrohawk Operating Company requests that the field rules be amended as follows:

1. Designation of the field as the correlative interval from 7,670 feet to 7,750 feet as shown on the log of the Tyler Oil Unit Well No. 2;
2. 330'-600" well spacing;
3. No change in density rule;
4. 100% acreage allocation, with a capacity allowable for the South Tyler Paluxy Unit.

Petrohawk further requests that all overproduction in the field be canceled.

This application was unopposed and the examiner recommends that the field rules for the Tyler Field be amended as proposed by Petrohawk and that all overproduction be canceled. It is further recommended that the South Tyler Paluxy Unit be granted a capacity allowable pursuant to Statewide Rule 48.

DISCUSSION OF THE EVIDENCE

The Tyler Field was discovered in 1948 at a depth of approximately 7,600 feet. Cumulative production from the field is approximately 1.5 million BO and 404 MMCF of gas. The South Tyler Paluxy Unit was formed in 2006 for the purpose of waterflooding. There are currently two producing wells and one injection well on the Unit, which is operated by Petrohawk. There are no other producing wells in the field.

The South Tyler Paluxy Unit is within the city limits of Tyler. Petrohawk expects that two more producing wells will be necessary for the waterflood to be effective. Petrohawk requests that the spacing rule be reduced to 330 feet from lease lines and 600 feet between wells. This flexibility is necessary to locate wells in optimum locations and comply with city restrictions. Directional wells are not an option because the wells must be rod pumped.

Petrohawk requests that the Tyler Field be designated as the correlative interval from 7,670 feet to 7,750 feet as shown on the log of the Tyler Oil Unit Well No. 1. This is the same Paluxy interval which is unitized.

Petrohawk further requests that the allocation formula in the field be based on 100% acreage allocation. The two factor allocation formula currently in effect contains obsolete language and there is no statutory reason to adopt two factors in this Paluxy interval.

The South Tyler Paluxy Unit has responded to the water injection which began on the Unit in June 2008. Lease production prior to the waterflood was 100-150 BOPM. In September 2009, production had increased to over 500 BOPM, and December 2009 production was over 1,900 BOPM. The latest W-10 test on the No. 4 well is 163 BOPD, in excess of the current top allowable of 101 BOPD.

As of January 1, 2009, the South Tyler Paluxy Unit is overproduced approximately 3,000 BO. This is a result of increasing production from the Unit and inaccurate W-10's. Petrohawk requests that all overage be canceled.

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 Tyler Field was discovered in 1948. Field rules for the Tyler Field were adopted on August 15, 1949 and provide for 467'-933' well spacing, 40 acre density and allocation based on 50% acreage and 50% per well.
3. Cumulative production from the Tyler Field is approximately 1.5 million BO and 404 MMCF of gas.
4. The only production in the field currently is from the South Tyler Paluxy Unit, which was formed in 2006 for the purpose of waterflooding. The Unit is within the city limits of Tyler.
5. A spacing rule providing for a minimum of 330 feet from lease lines and 600 feet between wells will flexibility in locating additional producing wells on the Unit at optimum locations.
6. The Tyler field should be designated as the correlative interval from 7,670 feet to 7,750 feet as shown on the log of the Tyler Oil Unit Well No. 1. This is the same Paluxy interval which is unitized.
7. The current top allowable in the field is 101 BOPD.
8. As a result of the waterflooding operations on the South Tyler Paluxy Unit, production from the Unit has increased significantly. The No. 4 well on the unit has a current potential of 163 BOPD.
9. As of January 1, 2009, the South Tyler Paluxy Unit is overproduced approximately 3,000 BO.

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 for the Tyler Field is necessary to prevent waste and protect correlative rights.
4. Cancellation of overproduction in the Tyler Field will not harm correlative rights.
5. A capacity allowable pursuant to Statewide Rule 48 is appropriate for the South Tyler Paluxy Unit.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the field rules for the Tyler Field be amended as proposed by Petrohawk Operating Company and that all overproduction in the field be canceled. It is further recommended that a capacity allowable be approved for the South Tyler Paluxy Unit.

Respectfully submitted,

Donna K. Chandler
Technical Examiner