

OIL AND GAS DOCKET NO. 06-0276641

THE APPLICATION OF ATLANTIS OIL COMPANY, INC. TO AMEND FIELD RULE NO. 2 FOR THE LANE CHAPEL, W. (PALUXY B) FIELD, SMITH COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: June 28, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Cary McGregor

Atlantis Oil Company, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Lane Chapel, W. (Paluxy B) Field were originally adopted in Final Order No. 6-93,240, effective July 17, 1989, as amended. The Field Rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 6,868 feet to 6,910 feet as shown on the log of the Palrich Oil Corporation - Annie Epperson Lease, Well No. 1 (API No. 42-423-31203);
2. 330'-990' well spacing;
3. 80 acre oil units with optional 40 acre density;
4. Allocation based on 100% acres with an oil allowable based on the 1965 Yardstick Allowable of 184 barrels of oil per day.

Atlantis Oil Company, Inc. ("Atlantis") requests that Field Rule No. 2 be amended to eliminate the between well spacing requirement. The application was unopposed and the examiners recommend that Field Rule No. 2 for the Lane Chapel, W. (Paluxy B) Field be amended, as proposed by Atlantis.

DISCUSSION OF THE EVIDENCE

The Lane Chapel, W. (Paluxy B) Field was discovered in May 1989 at an average

depth of 6,900 feet. There are 11 producing oil wells and two operators carried on the proration schedule. The field operates under Field Rules that provide for 330'-990' well spacing, 80 acre oil units with optional 40 acre density and allocation based on 100% acres. The top oil allowable is the 1965 Yardstick Allowable of 184 barrels of oil per day. Cumulative production from the field through April 2012 is 1.5 MMBO and 2.0 BCFG.

Atlantis is proposing to drill infill wells and is requesting the elimination of the between well spacing limitation. A no minimum between well spacing requirement is necessary to promote the efficient and effective development of the remaining hydrocarbons in an attempt to recover any bypassed oil from the secondary recovery project. Atlantis requests 330'-0' well spacing and argues that the proposed spacing is necessary to allow drilling of infill wells which may have to be placed very near each other in some cases. Atlantis submitted an area map showing that there are houses, a paved highway, steep hills and swampy areas within the unit boundaries. Atlantis opined that the surface impediments were limiting the selection of drilling locations and a no between well spacing limitation is necessary in order to continue developing the field.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Lane Chapel, W. (Paluxy B) Field was discovered in May 1989 at an average depth of 6,900 feet.
 - a. There are 11 producing oil wells and two operators carried on the proration schedule.
 - b. The field operates under Field Rules that provide for 330'-990' well spacing, 80 acre oil units with optional 40 acre density and allocation based on 100% acres.
 - c. The top oil allowable is the 1965 Yardstick Allowable of 184 barrels of oil per day.
3. The Lane Chapel, W. (Paluxy B) Field is actively being developed with infill wells.
4. A no minimum between well spacing requirement is appropriate for the field.
 - a. A no minimum between well spacing requirement is necessary to promote the efficient and effective development of the remaining hydrocarbons in an attempt to recover any bypassed oil from the secondary recovery project.

- b. The proposed spacing is necessary to allow drilling of infill wells which may have to be placed very near each other in some cases.
- c. There are houses, a paved highway, steep hills and swampy areas within the unit boundaries.
- d. The surface impediments are limiting the selection of drilling locations and a no between well spacing limitation is necessary in order to continue developing the field.

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 Field Rule No. 2 for the Lane Chapel, W. (Paluxy B) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend Field Rule No. 2 for the Lane Chapel, W. (Paluxy B) Field, as requested by Atlantis Oil Company, Inc..

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

Michael Crnich
Legal Examiner