

July 19, 2000

**OIL AND GAS DOCKET NO. 7C-0225222**

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**THE APPLICATION OF TXP, INC. TO AMEND FIELD RULES IN THE VELREX (CISCO 6260) FIELD, SCHLEICHER AND IRION COUNTIES, TEXAS**

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**Heard by:** Margaret Allen, Technical Hearings Examiner

**Procedural history**

Application received: June 21, 2000

Hearing held: August 14, 2000

**Appearances**

Mike McElroy  
Oladipo Aluko

Representing  
TXP, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

The existing rules for the Velrex (Cisco 6260) Field were adopted January 3, 1979, under Docket No. 7C-70,502, as amended, and are summarized as follows:

1. Well spacing of 660-1320 feet;
2. 160 acre gas proration units, with 10% tolerance; and
3. allocation based on acreage, with the allocation formula currently suspended.

TXP seeks to amend the well spacing to 467-933 feet and to adopt 80-acre optional gas units. The examiner suggested that a designated interval rule be added and TXP proposed the following Rule 1:

1. Designated interval between 6350 feet and 6502 feet as shown on the log of the Energy Reserves Group, Inc., (now Prize Operating Company) R.S. Williams R/A "A" Lease Well No. 5.

### **DISCUSSION OF THE EVIDENCE**

The Velrex (Cisco 6260) Field was discovered in 1961 and has 8 inactive and 8 active wells--7 producing gas and one producing oil. The current wells are nearly depleted and TXP believes that infill drilling will be necessary to fully develop at least its part of the field.

TXP operates only one well, the Pearl Williams 1203 Well No. 1, but has obtained enough log information from other wells that it can estimate the ultimate drainage areas of ten wells. The other operators in the field are Fortune Production Company, T.C. Meador and Prize Operating Company. Current deliverabilities range from 36 to 410 MCF/D for the gas wells and the current potential for the oil well is 5 barrels per day. Cumulative production from the entire field has been 7.4 BCF and 131,586 barrels of oil. Cumulative production from TXP's well is 277 MMCF and 706 BC, and this well's current deliverability is 410 MCF per day. The estimated ultimate recovery varies considerably between wells, from a low of 24 MMCF to 2.3 BCF, indicating considerable reservoir heterogeneity. The calculated drainage areas of these wells ranges between 7 and 159 acres.

Typical average porosity in this reservoir is 12.9% and typical water saturation is 32%. Based on the original reservoir pressure of 2852 psi and an assumed abandonment pressure of 700 psi, the recovery factor will be 80% of the original gas in place. TXP made a detailed study of Section 1203 where its Pearl Williams 1203 Well No. 1 is located and where it hopes to drill at least one infill well. According to TXP, the reservoir averages 17.5 feet thick in this section and volumetric calculations indicate 8303 MCF of gas underneath 160 acres. The total ultimate recoveries estimated for the five wells already on this section will be 4560 MMCF, leaving 2083 MMCF unrecovered unless new wells are drilled.

The Energy Reserves Group, Inc., R.S. Williams R/A "A" Lease Well No. 5 is perforated from 6354 to 6502 feet, and the applicant proposed that the designated interval extend from 6350 to 6502 feet in this well. A cross section indicates that the pay sands frequently cannot be correlated between wells, even those close together. The allocation formula is based on acreage but is currently suspended. Present spacing requires wells be 660 feet from lease lines and 1320 feet apart. Reducing the well density, based on the optional units approved, will be facilitated by reducing minimum well spacing at the same time to 467 feet from lease lines and 933 feet between wells.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all operators in the Velrex (Cisco 6260) Field on June 28, 2000.
2. The subject field was discovered in 1961 and has 8 inactive wells, seven active gas wells and one active oil well.
3. Field rules for the Velrex (Cisco 6260) Field provide for 160 acre density and 660-1320 foot well spacing.
4. Cumulative production from the field has been 7.4 BCF and 131,586 barrels of oil.
5. The reservoir sands are heterogeneous and adding optional units of 80 acres to the current

density rule will allow further development of this nearly depleted field.

- a. Current deliverabilities range from 36 to 410 MCF/D for the gas wells and the current potential for the oil well is 5 barrels per day.
  - b. The amount of estimated ultimate recovery varies considerably between wells, from a low of 24 MMCF to 2.3 BCF.
  - c. The calculated drainage areas of these wells ranges between 7 and 159 acres.
  - d. The estimated ultimate recoveries from the existing wells on Section 1203 indicates that 2083 MMCF of the original recoverable gas in place will not be recovered by the existing wells.
6. The productive interval proposed for the Velrex (Cisco 6260) Field extends from 6350 feet to 6502 feet as shown on the log of the Energy Reserves Group, Inc., R.S. Williams R/A "A" Lease Well No. 5.
  7. Amending the well spacing to 467-933 feet will facilitate infill drilling.

#### **CONCLUSIONS OF LAW**

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The recommend amendments to the field rules for the Velrex (Cisco 6260) Field will prevent waste, protect correlative rights within the field, satisfy statutory requirements, and provide for an orderly development of the reservoir.

#### **EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the existing rules for the Velrex (Cisco 6260) Field be amended to include the proposed designated interval, 80-acre optional units and 467-933 foot spacing.

Respectfully submitted,

Margaret Allen  
Technical Hearings Examiner

Date of Commission action: September 25, 2000.

Exhibits

1. Field rules requested
2. Waivers
3. Map
4. Cross section
5. Proration schedule
6. Original rules
7. Well completion data
8. Field production history
9. Individual well histories
10. Individual well production
11. Reservoir data sheet
12. Drainage area summary
13. Volumetric recoverable resources