

November 20, 2002

OIL AND GAS DOCKET NO. 7C-0232776

THE APPLICATION OF L & R ENERGY COMPANY FOR FIELD RULES IN THE WYATT FIELD, CROCKETT COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: October 14, 2002

Hearing held: November 8, 2002

Appearances

Keith Masters

Representing

L & R Energy Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

L & R Energy Company is seeking permanent field rules for the Wyatt Field, which are summarized as follows:

1. Designated interval from 1245' to 1480' as shown on the log of the Amoco Production Company J. S. Todd "A" (currently the Apache Corporation J.S. Todd, J. S., A R /A A) Lease Well No. 14;
2. 330-660' well spacing;
3. 40-acre oil proration units with 20-acre optional units; and
4. allocation based on acreage.

DISCUSSION OF THE EVIDENCE

The Wyatt Field was discovered in 1940, and produces from the Grayburg and San Andres Formations. Forty-three wells have been completed in the field at one time or another. In 1975 and again in 1976, Amoco Production requested field rules specifying 80-acre proration units. Both of these requests were denied by the Commission. However, an mer allowable of 97 BOPD per well was approved in 1976. There has been some waterflooding in the field and a capacity allowable approved for one lease. There are six operators with 22 active wells.

The potentials of the existing wells range from 1 to 108 BOPD, but most are less than 10 BOPD. Cumulative field production is 2,088,710 BO and 1.3 BCF of gas, and just two of the wells are responsible for almost half. The Apache Corp. J.S. Todd/ A R /A A Lease Well No. 4 has produced over 475,000

barrels and Well No. 15 on the same lease has produced over 426,000 barrels. The average cumulative production is 49,000 BO but there is great variability between wells.

The applicant has two wells currently on its Todd 68 Lease--Well No. 1 has a potential of 14 BOPD and Well No. 3 has a potential of 18 BOPD. Well No. 3 was completed in 2001 and it initially produced about 100 BOPD. Its estimated ultimate recovery is 48,000 BO, at an abandonment rate of 500 BO per month. The thickness of the producing interval in this well is 66', porosity is 21%, and water saturation is 40%. Based on these parameters, this well will drain an estimated 5.3 acres, assuming 15% recovery.

A 1999 study of two wells on the Oryan Oil & Gas Rainmaker 2 Lease estimated drainage areas for these wells of 10 and 5 acres respectively. Much of the field has already been developed on 20-acre density because wells were drilled when the Statewide density was 20 acres or by means of Rule 38 exceptions. The applicant may eventually request 10-acre optional units but current production shows that many of the wells will be able to drain 20 acres or more.

The proposed allocation formula, based on acreage, will protect correlative rights. The requested spacing rules of 330' from lease lines and 660' between wells is standard for 20-acre optional units. The proposed designated interval, between 1245' and 1480' in the Amoco J. S. Todd "A" (currently the Apache Corporation Todd, J.S., A R/A A Lease, Well No. 14, includes all of the productive interval. This well has a current potential of 108 BOPD even though it has been producing for almost 20 years.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the Wyatt Field on October 23, 2002.
2. The Wyatt Field was discovered in 1940, and 43 wells have been completed in the field at one time or another.
3. The producing interval extends from 1245' and 1480' in the Amoco Production J.S. Todd "A" (now Apache Corporation Todd, J.S., A R/A A) Lease Well No. 14, and includes both the Grayburg and San Andres Formations.
4. Forty acre density with 20-acre optional units is appropriate for permanent field rules.
 - a. Much of the field has already been drilled on 20-acre density but at least two wells will drain over 40 acres.
 - b. One well has already produced over 475,000 BO, and a second well on the same lease has produced over 426,000 BO.
 - c. The average cumulative production is 49,000 BO but there is considerable variation.
 - d. The estimate ultimate recovery of the newly drilled L & R Todd 68 Lease Well No. 3 is 48,000 BO and its estimated drainage area is 5.3 acres.
5. Well spacing of 330-660' is standard for 20-acre optional units.
6. The proposed allocation formula, based on acreage, will protect correlative rights.

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 requested field rules will prevent waste, protect correlative rights within the field, and promote orderly development of the reservoir.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the requested field rules for the Wyatt Field be approved, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: December 3, 2002