

THE APPLICATION OF CHESAPEAKE OPERATING, INC. TO ADOPT FIELD RULES FOR THE HOBAN (BONE SPRINGS) FIELD, REEVES COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on July 2, 2009

Appearances:

Bill Spencer
Cary McGregor

Representing:

Chesapeake Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Chesapeake Operating, Inc. requests that field rules be adopted for the Hoban (Bone Springs) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 8,070 feet to 10,630 feet as shown on the log of the Sinclair Collier No. 1;
2. 467'-1,200' well spacing, no between well spacing between vertical and horizontal wells;
3. 160 acre/optional 40 acre density, with special provisions for assignment of acreage to horizontal wells and take points;
4. Allocation based on 75% acreage and 25% per well.

This application was unopposed and the examiner recommends that the rules proposed by Chesapeake Operating, Inc. be adopted on a permanent basis for the Hoban (Bone Springs) Field.

DISCUSSION OF EVIDENCE

The Hoban (Bone Springs) Field was discovered in 1968 and a total of two wells have been completed in the field. There is currently one well producing from the field, which is operated by Chesapeake. The Chesapeake well is a vertical well and Chesapeake has plans to drill horizontal wells in the future. Cumulative production from the field is approximately 67,260 BO.

The discovery well for the field was the Sinclair Collier No. 1. This well produced 48,857 BO prior to being plugged and abandoned in 1985. Chesapeake calculated recoverable reserves beneath 160 acres in this field to be 377,000 BO and 94,291 BO under 40 acres assuming 15% recovery factor. This estimate is based on the following reservoir properties: 11.5% average porosity, 40% average water saturation and 42 feet of pay. The Sinclair Collier No. 1 drained approximately 25 acres.

Chesapeake drilled its Collier 52-14 No. 1 in January 2009 as a vertical well. Chesapeake perforated and fractured stimulated the entire proposed Bone Spring interval from 8,139 feet to 10,551 feet. By stimulating the entire interval, Chesapeake hopes to recover additional reserves within the thinly laminated sands which in the past were deemed uneconomic to produce. The Collier 52-14 No. 1 had an initial potential of 232 BO, 215 MCF and 287 BW per day. The well currently produces a steady 200 BOPD.

Chesapeake requests additional acreage be assigned to horizontal wells by a formula based on the length of the laterals. Chesapeake also requests take point language be included to allow the lateral greater contact with the reservoir within the lease boundaries. The horizontal rules proposed by Chesapeake for purposes of assigning acreage and allowing take points are similar to those which have been adopted in several Bone Springs and Wolfcamp fields in Reeves County.

Chesapeake requests a spacing rule that requires a minimum of 467 feet from lease lines and 1,200 feet between wells. This proposed spacing is standard for 40 acre development. Chesapeake also requests that there be no minimum between well spacing requirement between a horizontal and a vertical well.

It is requested that the field be defined as the correlative interval from 8,070 feet to 10,630 feet as shown on the log of the Sinclair Collier Well No. 1. The interval includes the entire Bone Springs and the Upper Wolfcamp. Chesapeake requests that the allocation formula be based on 75% acreage and 25% per well to meet statutory requirements for multiple productive zones.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Hoban (Bone Springs) Field was discovered in 1968. There have been two oil wells completed in the field and there is currently one producing well.
3. The Hoban (Bone Springs) Field should be defined as the correlative interval from 8,070 to 10,630 feet as shown on the log of the Sinclair Collier No. 1.

4. Adoption of a 160/optional 40 acre density rule for the field is appropriate.
 - a. The Sinclair Collier No. 1 produced 48,857 BO prior to being plugged and abandoned in 1985.
 - b. The Collier 52-14 No. 1 is expected to ultimately recover over 300,000 BO.
 - c. Recoverable reserves beneath 160 acres in this field are estimated to be 377,000 BO.
 - d. The Sinclair Collier No. 1 and the Collier 52-14 No. 1 are vertical wells.
5. Chesapeake anticipates future wells will be drilled with horizontal laterals. The proposed horizontal rules are similar to those which have been adopted in numerous other Bone Springs and Wolfcamp fields in Reeves County.
6. A spacing rule providing for a minimum of 467 feet from lease lines and 1,200 feet between wells will accommodate development on 40 acres density.
7. Allocation based on 75% acreage and 25% per well is a reasonable formula which will protect correlative rights of mineral owners in 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. Adoption of the proposed field rules for the Hoban (Bone Springs) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission adopt the field rules proposed by Chesapeake Operating, Inc. for the Hoban (Bone Springs) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner