

OIL AND GAS DOCKET NO. 10-0248911

THE APPLICATION OF HOLMES EXPLORATION, LLC TO ADOPT THE FIELD RULES FOR THE KIOWA CREEK (MARMATON) FIELD, LIPSCOMB AND OCHILTREE COUNTIES, TEXAS

Heard by: Donna K. Chandler on October 26, 2006

Appearances:

Clark Jobe
Daniel Hawe

Representing:

Holmes Exploration, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Holmes Exploration, LLC requests that field rules be adopted for the Kiowa Creek (Marmaton) Field as follows:

1. Designation of the field as the correlative interval from 7,385 feet as shown on the log of the Paine No. 1, to the base of the Marmaton Formation;
2. 330' - 933' well spacing for vertical and horizontal wells;
3. 80 acre oil units with a maximum diagonal of 3,250 feet; optional 40 acre units with a maximum diagonal of 2,100 feet; additional acreage assignments for horizontal wells;
4. 100% acreage allocation.

This application was unopposed and the examiner recommends that the field rules for the Kiowa Creek (Marmaton) Field be adopted as proposed by Holmes Exploration, LLC.

DISCUSSION OF EVIDENCE

The Kiowa Creek (Marmaton) Field was discovered in 1968 at a depth of approximately 7,500 feet. The field is an oil field which operates under Statewide Rules. There are currently three producing wells in the field, one operated by Holmes, one operated by Munson Operating, Inc. and one operated by Weststar Oil and Gas. The well operated by Holmes is the Bailey No. 9394, a recently drilled horizontal well.

Besides the three active wells, five other wells produced from this field and have been plugged and abandoned. Ultimate recoveries for the vertical wells range from 3,000 BO to 74,000 BO. The Paine No. 1 was the most prolific well in the field to date, with 74,000 BO estimated ultimate recovery. The calculated drainage area for this well is 62 acres. Because the other wells in the field have significantly lower ultimate recoveries, Holmes requests 80 acre/optional 40 acre density for the field. Additionally, the Marmaton is highly compartmentalized, both vertically and horizontally and the reservoir properties vary from well to well.

The vertical wells in the field had initial potentials ranging from 4 BOPD to 85 BOPD. The Baily No. 9394 had an initial potential of 289 BOPD. Additional horizontal wells are planned for the field and the proposed horizontal rules are consistent with those adopted previously by the Commission for many other fields.

Holmes does not have a well which has encountered the entire Marmaton Formation. The proposed top of the correlative interval for the field is the top of the Marmaton at 7,385 feet in the Paine No. 1.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Kiowa Creek (Marmaton) Field was discovered in 1968 at a depth of approximately 7,500 feet. The field is an oil field which operates under Statewide Rules.
3. Holmes Exploration LLC has recently drilled a horizontal well in the field, the Bailey NO. 9394.
4. Wells in the field have varying reservoir properties and drainage capabilities and a density rule providing for 80/optional 40 acres is appropriate
 - a. Ultimate recoveries for the vertical wells completed in the field range from 3,000 BO to 74,000 BO.
 - b. The Paine No. 1 was the most prolific well in the field to date, with 74,000 BO estimated ultimate recovery. The calculated drainage area for this well is 62 acres.
 - c. Other wells in the field have significantly lower ultimate recoveries.
5. Well spacing a minimum of 330 feet from lease lines and 933 feet between wells will provide flexibility in developing this field using horizontal drainhole wells.

6. Allocation based on 100% acreage will protect correlative rights.

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. Adopting field rules for the Kiowa Creek (Marmaton) 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 field rules for the Kiowa Creek (Marmaton) Field as proposed by Holmes Exploration, LLC.

Respectfully submitted,

Donna K. Chandler
Technical Examiner