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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7B-0308447

**THE APPLICATION OF LAKEWOOD OPERATING, LTD. FOR ADOPTING
PERMANENT FIELD RULES IN THE BIG EASY (ELLENBURGER) FIELD, TAYLOR
COUNTY, TEXAS**

HEARD BY: Richard Eyster - Technical Hearings Examiner
Clayton J. Hoover - Administrative Law Judge

HEARING DATE: February 15, 2018

APPEARANCES:

Dale E. Miller

REPRESENTING:

Lakewood Operating, Ltd.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Lakewood Operating, Ltd. ("Lakewood") is proposing to adopt permanent field rules for the Big Easy (Ellenburger) Field which is governed by County Regular Rules. Lakewood also requested to cancel all accrued overproduction from the Sundance Kid Lease (32080).

The Big Easy (Ellenburger) Field was discovered on July 19, 1995 at a depth of 4,674 feet. The field rules are as follows:

- a. 330'-933' lease/well spacing
- b. 20 acre base units with 10 acre tolerance to the last well on the lease
- c. no maximum diagonal length
- d. Allocation formula of 100% acreage

Notice of the application was sent to all operators with wells in the field. The application is unopposed and the Technical Examiner and Administrative Law Judge ("Examiners") recommend approval of the amended field rules for the Big Easy (Ellenburger) Field, as proposed by Lakewood and cancellation of all overproduction from the Sundance Kid Lease (32080).

DISCUSSION OF THE EVIDENCE

The proposed rules for the Big Easy (Ellenburger) Field are as follows:

Rule 1: Designated Correlative Interval from 4,592' to 4,824' as shown on the Phased Induction Shallow Focus SP log of the Lakewood Operating, Ltd., Sundance Kid #1 Lease, located in Section 3, Abstract 1046 of the LAL Survey, Taylor County, Texas.

Rule 2: 330'-933' well spacing.

Rule 3: 40 acre base units, 20 acre tolerance provision for the last well on the lease, the filing of Form P-16 to designate the number of acres to be assigned to individual wells with a plat of the entire lease, no requirement to file individual well proration unit plats and no maximum diagonal limitation.

Rule 4: Field top allowable is based on 100% acreage.

There are 6 oil wells completed in the Big Easy (Ellenburger) field. The February 2018 proration schedule shows that there are 2 active producing oil wells and Lakewood operates both wells. The field has produced 38,753 BO and 169,893 MCF of casinghead gas from July 1995 through December 2017.

Lakewood estimated the drainage area for the Sundance Kid Lease Well #1. It was determined the well is capable of draining about 39 acres; therefore the requested 40 acre proration units will prevent waste and protect correlative rights.

Lakewood Operating, Ltd. received a letter dated December 4, 2017 from the Railroad Commission of Texas for overproduction of oil on the Sundance Kid Lease Well #1 (Lease No. 7B-32080). The oil well allowable is penalized due to the GOR being in excess of 2000 to 1. The daily production history shows that initially the well was producing with a GOR greater than 2,000 to 1 and subsequently it went down below that.

The well was initially a flowing oil well and Lakewood is currently equipping the well with a pumping unit and requesting to cancel all accrued overproduction.

FINDINGS OF FACT

1. Notice of this hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The hearing was not protested.
3. The Big Easy (Ellenburger) Field was discovered on July 19, 1995.
4. The field is currently governed by County Regular Rules.
5. There are 2 active wells in the field and both are operated by Lakewood.
6. The production decline curve analysis shows that Sundance Kid #1 is capable of draining approximately 39 acres; therefore the 40 acre proration unit rule is appropriate.
7. Individual proration unit plats for wells on a lease are not required and it alleviates processing of needless paperwork for both the Commission and Operators.
8. The Allocation formula of 100% acreage will provide the field with a top allowable of 93 BOPD. This will prevent the overproduction of any well in the field as compared to the current field top allowable of 48 BOPD.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued as required by all applicable statutes and regulatory codes.
2. All things have been accomplished or have occurred to give the Railroad Commission jurisdiction in this matter.
3. Amending field rules for the Big Easy (Ellenburger) Field is necessary to prevent waste, protect correlative rights, promote conservation and provide for the orderly development of the field and will satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings of facts and conclusions of law, the examiners recommend that the Commission adopt permanent field rules for the Big Easy (Ellenburger) Field, as proposed by Lakewood and all overproduction from the Sundance Kid Lease (Lease No. 7B-32080) is hereby cancelled the effective date of this order.

Respectfully submitted,



Richard Eyster, P.G.
Technical Hearings Examiner



Clayton J. Hoover
Administrative Law Judge