

**THE APPLICATION OF HILCORP ENERGY COMPANY TO CONSIDER A BLANKET EXCEPTION TO STATEWIDE RULE 10 FOR ALL CURRENT AND FUTURE WELLS IT OPERATES IN OLD OCEAN (F-24), OLD OCEAN (F-25), OLD OCEAN (F-26) AND OLD OCEAN, S. (HELLMUTH 12,500) FIELDS, BRAZORIA COUNTY, TEXAS**

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**Heard by:** Richard D. Atkins, P.E. - Technical Examiner

**Hearing Date:** July 2, 2007

**Appearances:**

Dale E. Miller

**Representing:**

Hilcorp Energy Company

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Hilcorp Energy Company requests exception to Statewide Rule 10 for all wells in any of the following fields:

<b><u>FIELD NAME</u></b>	<b><u>FIELD NUMBER</u></b>
Old Ocean (F-24)	67011 801
Old Ocean (F-25)	67011 810
Old Ocean (F-26)	67011 815
Old Ocean, S. (Hellmuth 12,500)	67015 500

Hilcorp requests that the field assignment for each individual wellbore be assigned as requested by the operator.

This application was unopposed and the examiner recommends approval of the requested Rule 10 authority.

**DISCUSSION OF THE EVIDENCE**

Hilcorp Energy Company is the only operator in the subject fields and a total of eight wells are carried on the proration schedules. The fields were discovered between 1966 and 2007. The shallowest field is the Old Ocean (F-24) at approximately 11,000 feet. Beneath the Old Ocean (F-24) is the Old Ocean (F-25), the Old Ocean (F-26) and the Old Ocean, S. (Hellmuth 12,500). The base of the Old Ocean, S. (Hellmuth 12,500) Field occurs at approximately 12,500 feet.

The subject fields all operate under Statewide Rules providing for 467'-1,200' well spacing and 40 acre density. The Old Ocean (F-26) Field has special field rules that provide for a two part allocation formula, which is currently suspended, and a designated interval from 11,098 feet to 11,570 feet.

All of the reservoirs listed for commingling are Frio sands that should not have any significant fluid or pressure differences. They are predominately gas and produce similar gravity hydrocarbons. Hilcorp submitted water samples from two of the fields and stated that downhole commingling the production from all four fields is not anticipated to have any adverse affects on the producing characteristics of the reservoirs. The zones are surface commingled and no scaling problems have been encountered.

Hilcorp does not expect any cross-flow to occur because the zones are all sufficiently pressure depleted and require stimulation to produce economic quantities of hydrocarbons. In addition, the flowing bottomhole pressure will be below the static reservoir pressures of all four reservoirs.

Incremental reserves will be produced as a result of commingling. This incremental production is a result of a lower combined economic limit. Hilcorp estimates that incremental reserves as a result of commingling are 33 MMCFG per reservoir commingled.

It is requested that wells which are downhole commingled in the subject fields be assigned to the field of the operator's choice.

#### **FINDINGS OF FACT**

1. Notice of this hearing was issued to all operators in the Old Ocean (F-24), Old Ocean (F-25), Old Ocean (F-26) and Old Ocean, S. (Hellmuth 12,500) Fields.
2. Hilcorp Energy Company is the only operator in the subject fields and a total of eight wells are carried on the proration schedules.
3. The subject fields were discovered between 1966 and all operate under Statewide Rules providing for 467'-1,200' well spacing and 40 acre density.
4. The shallowest field is the Old Ocean (F-24) Field at approximately 11,000 feet. The base of the deepest Old Ocean, S. (Hellmuth 12,500) Field occurs at approximately 12,500 feet
5. All of the reservoirs listed for commingling are Frio sands that should not have any significant fluid or pressure differences. They are predominately gas and produce similar gravity hydrocarbons.

6. Hilcorp submitted water samples from two of the fields and stated that downhole commingling the production from all four fields is not anticipated to have any adverse affects on the producing characteristics of the reservoirs.
7. The zones are surface commingled and no scaling problems have been encountered.
8. Hilcorp does not expect any cross-flow to occur because the zones are all sufficiently pressure depleted and require stimulation to produce economic quantities of hydrocarbons.
9. Hilcorp estimates that incremental reserves as a result of commingling are 33 MMCFG per reservoir commingled. This is a result of a lower combined economic limit.
10. Downhole commingling production from these fields will result in the recovery of incremental reserves from the various Frio zones.

**CONCLUSIONS OF LAW**

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested Rule 10 exceptions for all wells in the Old Ocean (F-24), Old Ocean (F-25), Old Ocean (F-26) and Old Ocean, S. (Hellmuth 12,500) Fields will prevent waste and will not harm correlative rights.

**EXAMINER'S RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiner recommends approval of the requested Rule 10 exceptions for all wells in the subject fields, as specified in the attached order.

Respectfully submitted,

Richard D. Atkins, P.E.  
Technical Examiner