

**OIL AND GAS DOCKET NO. 03-0251791**

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**THE APPLICATION OF KCS RESOURCES, INC. TO CONSIDER STANDING, AND IF STANDING IS GRANTED, TO CONSOLIDATE VARIOUS MAGNET WITHERS FIELDS INTO THE (PROPOSED) MAGNET WITHERS (FRIO CONS.) FIELD, WHARTON COUNTY, TEXAS**

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**Heard by:** Donna K. Chandler on June 28, 2007

**Appearances:**

Bob Tierney  
Carey Holtzendorf  
Philip Hart

Bill Spencer

**Representing:**

KCS Resources, Inc.

Apache Corporation

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

KCS Resources, Inc. requests that the 29 fields listed in Attachment A be consolidated into a new field to be known as the Magnet Withers (Frio Cons.) Field:

KCS requests that the following rules be adopted for the consolidated field:

1. Designated interval from 5,568 feet to 7,420 feet as shown on the log of the H. C. Cockburn Well No. 146;
2. 330'-0' well spacing;
3. 40 acre drilling units;
4. Allocation based 95% deliverability and 5% per well for gas wells with AOF status; salvage classification for oil wells.

This application was unopposed and the examiner recommends approval of KCS's request for field consolidation and field rules.

### **DISCUSSION OF THE EVIDENCE**

There are more than 120 Magnet Withers fields on the Commission's proration schedules. The fields were discovered beginning in the 1930's and there are few active wells in the fields. KCS proposes consolidating 29 fields which produce from Frio sands from the F-1B through the F-26. These fields have only seven producing wells, all operated by KCS. Eleven of the fields are associated gas fields and 18 are non-associated gas fields. Fourteen fields have oil classifications. There are several shut-in wells listed in the various fields but on the proration schedule. Most fields have no wells on the proration schedule. The subject fields operate under rules which range from 640 acre density to Statewide Rules.

KCS requests that the 29 fields be consolidated and that the correlative interval for the consolidated field be designated as the interval from 5,568 feet to 7,420 feet as shown on the log of the H. C. Cockburn No. 146.

The various sands are lenticular in nature and not present in all wells. This is demonstrated by cross-sections presented by KCS. Some wells as close as 137 feet apart do not encounter the same sands. The requested 330'-0' well spacing will accommodate this salvage development of the reservoirs using existing wellbores.

The fields produce from Frio sands which have similar reservoir and fluid properties. Consolidation of the various sands into a single field will result in the recovery of additional reserves which would otherwise be uneconomic.

KCS requests salvage classification for the oil field, associated-prorated classification for gas field, along with AOF status, to remove any limitations on production from the wells. A two factor allocation formula for gas wells based on 95% deliverability and 5% per well is requested for the consolidated field to meet statutory requirements. However, there is a market for all gas produced from the field and therefore suspension of the allocation formula is warranted.

### **FINDINGS OF FACT**

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The Magnet Withers fields were discovered beginning in the 1930's and there are few active wells in the fields. KCS operates all of the wells in the 29 fields proposed for consolidation.
3. Eleven of the fields proposed for consolidation are associated gas fields and 18 are non-associated gas fields. Fourteen fields are classified as oil fields.

4. The 29 fields proposed for consolidation produce from Frio sands from the F-1B through the F-26. The fields operate under rules which range from 640 acre density to Statewide Rules.
5. The Magnet Withers (Frio Cons.) should be designated as the correlative interval from 5,568 feet to 7,420 feet as shown on the log of the H. C. Cockburn No. 146.
6. The proposed well spacing of 330 feet from lease lines and 0 feet between wells will provide maximum flexibility in using existing wellbore to develop the various lenticular Frio sands.
7. Consolidation of the fields will not harm any of the reservoirs because of the similar reservoir and fluid properties.
8. Consolidation of the fields will result in the recovery of additional reserves from the various fields as a result of a lower combined economic limit.
9. Gas allowable allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
10. Suspension of the allocation formula in the consolidated field is appropriate because there is a market for any gas produced from the field.
11. The oil field should be exempt from proration and classified as salvage.

#### **CONCLUSIONS OF LAW**

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the fields as proposed by KCS Resources, Inc. is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the four subject fields be consolidated into a new field to be known as the Magnet Withers (Frio Cons.) Field and that the requested field rules be adopted for the consolidated field.

Respectfully submitted,

Donna K. Chandler  
Technical Hearings Examiner

## Attachment A

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Magnet Withers (F-2, East)	56688 045
Magnet Withers (F-5, East)	56688 063
Magnet Withers (F-7-B, East)	56688 090
Magnet Withers (F-7-C, East)	56688 099
Magnet Withers (F-8, East)	56688 117
Magnet Withers (F--9, East)	56688 135
Magnet Withers (F-1B, East)	56688 009
Magnet Withers (F-10, East)	56688 171
Magnet Withers (F-11-A, East)	56688 189
Magnet Withers (F-11-B, E.)	56688 198
Magnet Withers (F-11-C, E.)	56688 207
Magnet Withers (F-12, E.)	56688 225
Magnet Withers (F-13, E.)	56688 243
Magnet Withers (F-14, East)	56688 261
Magnet Withers (F-15, E.)	56688 306
Magnet Withers (F-16, E.)	56688 324
Magnet Withers (F-17, E.)	56688 342
Magnet Withers (F-18, East)	56688 360
Magnet Withers (F-18B, East)	56688 362
Magnet Withers (F-19, East)	56688 373
Magnet Withers (F-20, East)	56688 378
Magnet Withers (F-20B, E)	56688 387
Magnet Withers (F-20B, E. Up.)	56688 396
Magnet Withers (F-21, East)	56688 414
Magnet Withers (F-23, East)	56688 477
Magnet Withers (F-24-A, East)	56688 495
Magnet Withers (F-24-B, East)	56688 504
Magnet Withers (F-25, E.)	56688 522
Magnet Withers (F-26, East)	56688 558
Magnet Withers (F-26, East, Up)	56688 567