

**THE APPLICATION OF HEADINGTON OIL COMPANY TO CONSOLIDATE VARIOUS RITA, S.E. FIELDS AND WILCAT FORMATIONS INTO THE (PROPOSED) RITA, S.E. (CONSOLIDATED) FIELD AND TO CONSIDER FIELD RULES FOR THE (PROPOSED) RITA, S.E. (CONSOLIDATED) FIELD, KENEDY COUNTY, TEXAS**

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**Heard by:** Andres J, Trevino, P.E. on October 8, 2010

**Appearances:**

Dale E. Miller

William T. Duncan

**Representing:**

Headington Oil Company

Exxon Mobil Corp.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Headington Oil Company requests that 17 Rita, S.E. Fields listed in Attachment "A" be consolidated into a new field to be known as the Rita, S.E. (Consolidated) Field. The fields proposed for consolidation are as follows:

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

1. Designated interval from 11,300 feet to 16,718 feet as shown on three logs of the Exxon Company U.S.A., S.K. East Well Nos. 92 and 118 and the Headington Oil Company, L.P. Mrs. S.K. East Well No. 206;
2. Well spacing a minimum of 467 feet from lease lines with no between-well spacing limitation;
3. 40 acre drilling units, 10% tolerance and optional 20 acre units, no filing of Form P-15 and plat be required;
4. Allocation based 5% per well and 95% deliverability and allocation formula to remain suspended;

Headington requests any existing Wildcat formation producing within the designated interval be consolidated into the proposed field. This application was unopposed and the examiner recommends approval of Headington's request for field consolidation and field rules.

### DISCUSSION OF THE EVIDENCE

The 17 fields which are the subject of this hearing were discovered beginning in 1964. The fields include Frio sands which are in the late stage of depletion. All 17 fields are non-associated gas fields and all operate under Statewide Rules for spacing and density.

There are a total of 14 wells listed on the proration schedules for the various fields with about 8 actively producing completions, the remainder of the completions are shut-in, temporarily abandoned or partially plugged. Nine of the seventeen fields currently have no wells on the proration schedule. A total of 20 wellbores with 32 completions have been completed in the fields and cumulative production from the fields is about 60.1 BCF of gas and 118,876 barrels of condensate. The fields produced in October 2010, 779.2 MMCF gas per month or an average of 25.6 MMCFPD. Three of Headington's recently drilled wells account for 24.6 MMCF of gas per day. Headington plans to drill additional deep wells in the field and produce any uphole reserves encountered.

Headington requests that the consolidated field be designated as the interval from 11,300 feet to 16,718 feet as shown on three logs of the Exxon Company U.S.A., S.K. East Well Nos. 92 and 118 and the Headington Oil Company, L.P. Mrs. S.K. East Well No. 206. Consolidation of the various sands into a single field will result in the recovery of additional reserves, which would otherwise be uneconomic, by producing multiple reservoirs simultaneously.

Headington will primarily drill deep wells to a depth of 17,000 feet targeting the deep sands within the consolidated interval and below the depleted reservoirs. The deep sands are tight and highly faulted within the area. Headington believes many of the deep fault blocks still exist that have not been drained. Headington wishes to produce any reserves it encounters while drilling for its deep primary targets. The uphole reserves will likely be uneconomic to produce individually. Eliminating the between-well spacing requirement will provide opportunities for infill drilling without the need for Rule 37 exceptions.

Headington requests a density rule of 40 acres with an optional 20 acres for the consolidated field as many wells are believed to drain less than 40 acres. Currently all fields have 40 acre statewide density. Production data shows wells have produced between 16.7 MMCF to 9.1 BCF of gas each. The variability of commutative production per well is due to the nature of the tight, lenticular, faulted sandstones.

The proposed consolidated field will consist of numerous sands. A two factor allocation formula based on 95% deliverability and 5% per well is requested for the consolidated field to meet statutory requirements.

Headington requests to eliminate the requirement to file Form P-15 and plats as there will be no between well spacing and acreage is not part of the allocation formula.

**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 subject fields proposed for consolidation were discovered beginning in 1964. All of the fields are non-associated gas fields and there are 8 producing wells in the fields at this time.
3. The 17 fields produce from Frio sands which are faulted, lenticular and in the late stages of depletion.
4. All of the fields operate under Statewide Rules for spacing and well density.
5. Consolidation of the fields will not harm any of the reservoirs because of the similar reservoir and fluid properties as many of the zones are currently being commingled.
6. 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.
7. The Rita, S.E. (Consolidated) Field should be designated as the correlative interval from 11,300 feet to 16,718 feet as shown on three logs of the Exxon Company U.S.A., S.K. East Well Nos. 92 and 118 and the Headington Oil Company, L.P. Mrs. S.K. East Well No. 206.
8. The proposed 467'0' well spacing rule for the consolidated field will provide flexibility in drilling infill wells for completion in the various undrained, faulted Frio sands without the need for Rule 37 exceptions.
9. A density rule providing for 40 acre density with optional 20 acres is appropriate for the consolidated field as production data indicates some wells have drained less than 40 acres.
10. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
11. All fields are currently producing at 100% AOF.

**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 Headington Oil Company 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 Rita, S.E. (Consolidated) Field and that the requested field rules be adopted for the consolidated field.

Respectfully submitted,

Andres J. Trevino, P.E.  
Technical Hearings Examiner

Attachment "A"

| <u>Field Name</u>       | <u>Field Number</u> |
|-------------------------|---------------------|
| RITA, S.E. (L-03)       | 76941 250           |
| RITA, S.E. (L-83)       | 76941 280           |
| RITA, S.E. (L-83, II)   | 76941 290           |
| RITA, S.E. (L-83, III)  | 76941 292           |
| RITA, S.E. (L-94, W)    | 76941 300           |
| RITA, SE. (MARINE FRIO) | 76941 333           |
| RITA, SE. (M-20)        | 76941 475           |
| RITA, S.E. (M-20, W)    | 76941 480           |
| RITA, SE. (M-67)        | 76941 600           |
| RITA, SOUTHEAST (N-10)  | 76941 666           |
| RITA, S.E. (N-10, II)   | 76941 670           |
| RITA, S.E. (N-10, III)  | 76941 671           |
| RITA, S.E. (N-02-10, C) | 76941 673           |
| RITA, SOUTHEAST (N-30)  | 76941 675           |
| RITA, SE. (O-53)        | 76941 700           |
| RITA, SE (O-53, II)     | 76941 800           |
| RITA, S.E. (O-97)       | 76941 870           |