



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 04-0277862

THE APPLICATION OF HILCORP ENERGY COMPANY TO ADOPT FIELD RULES FOR THE STRAKE (3700) FIELD, DUVAL COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Randall Collins - Legal Examiner

HEARING DATE: September 13, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

Dale E. Miller

Hilcorp Energy Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Hilcorp Energy Company ("Hilcorp") requests that Field Rules for the Strake (3700) Field be adopted. Hilcorp requests the following Field Rules:

1. Designation of the field as the correlative interval from 3,713 feet to 3,723 feet as shown on the log of the Hilcorp Energy Company - Exxon Yates Ranch Fee "D" Lease, Well No. 12 (API No. 42-131-39273);
2. 330'-660' well spacing;
3. 40 acre oil units with optional 20 acre density;
4. Allocation based on 100% acres with the top oil allowable based on the 1965 Yardstick Allowable of 84 barrels of oil per day.

The application is unopposed and the examiners recommend that Field Rules for the Strake (3700) Field be adopted, as proposed by Hilcorp.

DISCUSSION OF THE EVIDENCE

The Strake (3700) Field was discovered in March 1977 at an average depth of 3,700 feet. The field operates under Statewide Rules. There is one producing oil well and one injection well carried on the proration schedule. Hilcorp is the only operator in the field. Cumulative production from the field through May 2012 is 178.0 MBO and 219.9 MMCFG.

There is currently no defined correlative interval for the field. Hilcorp requests that the field be defined as the correlative interval from 3,713 feet to 3,723 feet as shown on the log of the Hilcorp Energy Company - Exxon Yates Ranch Fee "D" Lease, Well No. 12 (API No. 42-131-39273), SA&MG RR Co. Survey, A-526, Duval County, Texas. The correlative interval includes the entire Strake Sand formation. From log analysis, Hilcorp estimated an average porosity of 32%, an average saltwater saturation of 55%, a net pay thickness of 10 feet and a recovery factor of 30%. The primary drive mechanism is a moderate water drive.

Hilcorp is proposing to drill vertical infill wells and requests Field Rules to promote the efficient and effective development of the remaining hydrocarbons. Hilcorp provided drainage area calculations for four wells that produced from the field. The drainage areas range from 1 acre up to a maximum of 48 acres. The average drainage area was calculated to be approximately 18 acres and three of the wells had drainage areas of 20 acres or less. Based on the drainage area calculations, Hilcorp proposes 330'-660' well spacing and 40 acre oil units with optional 20 acre density. Hilcorp submitted a tabulation of six fields in RRC District 4 that have adopted similar spacing and density Field Rules.

Hilcorp also requests that allocation be based on 100% acres with the top oil allowable based on the 1965 Yardstick Allowable of 84 barrels of oil per day.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Strake (3700) Field was discovered in March 1977 at an average depth of 3,700 feet.
 - a. The field operates under Statewide Rules.
 - b. There is one producing oil well and one injection well carried on the proration schedule.
 - c. Hilcorp Energy Company ("Hilcorp") is the only operator in the field.

3. The Strake (3700) Field should be defined as the correlative interval from 3,713 feet to 3,723 feet as shown on the log of the Hilcorp Energy Company - Exxon Yates Ranch Fee "D" Lease, Well No. 12 (API No. 42-131-39273), SA&MG RR Co. Survey, A-526, Duval County, Texas. The correlative interval includes the entire Strake Sand formation.
4. The Strake (3700) Field is actively being developed with vertical wells.
5. Field Rules providing for 330'-660' well spacing and 40 acre oil units with optional 20 acre density will allow consistency in developing the field, greater flexibility in selecting future drilling locations and are appropriate for the Strake (3700) Field.
 - a. The calculated drainage areas on four wells that produced from the field range from 1 acre up to a maximum of 48 acres.
 - b. The average drainage area was calculated to be approximately 18 acres and three of the wells had drainage areas of 20 acres or less.
 - c. Similar spacing and density rules have been adopted in six other fields in RRC District 4.
6. Allocation based on 100% acres and a top oil allowable based on the 1965 Yardstick Allowable of 84 barrels of oil per day is a reasonable formula which will protect correlative rights and meet statutory requirements.

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 Strake (3700) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission adopt Field Rules for the Strake (3700) Field, as requested by Hilcorp Energy Company.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Randall Collins
Legal Examiner