



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

July 24, 2006

OIL AND GAS DOCKET NO. 10-0247799

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APPLICATION OF DOMINION OKLAHOMA TEXAS E&P, INC. TO AMEND THE  
FIELD RULES FOR THE MENDOTA, NW. (GRANITE WASH) FIELD, HEMPHILL AND  
ROBERTS COUNTIES, TEXAS

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HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: July 19, 2006

APPEARANCES:

Philip Whitworth, attorney  
Kerry A. Pollard

REPRESENTING:

Dominion Oklahoma Texas E&P, Inc.

### EXAMINER'S REPORT AND RECOMMENDATION STATEMENT OF THE CASE

This is the unopposed application of Dominion Oklahoma Texas E&P, Inc. to amend the field rules for the Mendota, NW. (Granite Wash) Field as adopted by Order No. 10-71,103, effective January 29, 1979, as amended, which currently provide for:

1. The entire combined correlative interval from 9,462' to 10,700' as shown on the Dual Induction Focused log of the Maxus Exploration Co. Flowers Trust "A" Well No. 2 Section 82, Block B-1, H & GN RR. Survey, Roberts County, Texas, be designated as the Mendota, NW. (Granite Wash) Field.
2. Minimum well spacing of 467'/1200' (lease line/between well);
3. Gas Proration units of 160 acres with 10% tolerance and a maximum diagonal of 4,500' and optional 80 acre density and a maximum diagonal of 3,250';
4. A gas well allocation formula based on 75% deliverability and 25% per well.
5. A net gas-oil ratio which results in a casinghead gas limit of 1200 MCFD/well.

Dominion Oklahoma Texas E&P, Inc. proposes amending the rules to provide for:

1. The entire combined correlative interval from 9,360' MD to 10,814' MD as shown on the Dual Indiction Focused log of the Maxus Exploration Co. Flowers Trust "A" Well No. 2 (API No. 42-393-30671) Section 82, Block B-1, H & GN RR. Survey, Roberts County, Texas, be designated as the Mendota, NW. (Granite Wash) Field.
2. Minimum well spacing of 467'/1200' for oil wells (no change for gas wells);
3. Oil Proration units of 160 acres with 40 acre tolerance and a maximum diagonal of 4,500' and optional 80 acre density and a maximum diagonal of 3,250' (no change for gas wells);
4. An oil well allocation formula based on 75% potential and 25% per well (no change for gas wells).<sup>1</sup> Continuation of the suspension of the allocation formula for gas wells.
5. No change in the net gas-oil ratio resulting in a casinghead gas limit of 1200 MCFD/well.

The examiner recommends approval of the application.

#### DISCUSSION OF THE EVIDENCE

The Mendota, NW. (Granite Wash) Field was discovered in 1965 at 9,886' subsurface depth. The field was designated as a gas field. Special field rules were adopted by Order No. 10-71,103, effective January 29, 1979, as amended. The allocation formula was suspended January 1, 1994. The first well classified as an oil well was in 1967. The oil field operates pursuant to Statewide Rules. Top allowable for an oil well is 172 BOPD and a net gas-oil ratio resulting in a casinghead gas limit of 1200 MCFD/well was adopted by Order No. 10-74,638 effective February 4, 1980. The gas field has 86 wells and multiple operators. The oil field has 15 oil wells and five operators. Cumulative production from the gas field is 37.1 BCF and 709,000 barrels of condensate. Cumulative production from the oil field is 650 MCF of casinghead gas and 18.1 million barrels of oil.

The proposed oil field rules of 160/optional 80 acre density is necessary for the orderly development of the field and the efficient and effective depletion of the reservoir. Numerous wells in the field have been over time re-classified from gas to oil or oil to gas. Indeed, several wells have been classified several times i.e. gas-oil-gas and oil-gas-oil. The range of the GOR's for the gas field wells is between 70 - 80,000:1. The range of the GOR's for the oil wells is between 30 -

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<sup>1</sup> Notice of hearing had stated 75% deliverability, however this is a termed used for gas well allocation. The applicant stated that the use of the word "potential" would not be adverse.

40,000:1. Wells that are re-classified from oil-to-gas or vice versa are offset by wells of the opposite classification. The liquid hydrocarbons in the reservoir are classified as volatile at greater than 45°API gravity.

The field rules for the "oil" field should be identical as the "gas" field rules. The Granite Wash is continuous across the entire area. The adjacent Mendota, NW. (Granite Wash, S.W.) Field, discovered in 1976, has identical density rules for the gas and oil wells. Like the subject field, it has had numerous wells re-classified from gas to oil or oil to gas. The net GOR that results in a casinghead gas limit of 1200 MCFD/well should remain in effect as the allocation formula for the gas wells has been suspended since 1994.

The entire combined correlative interval from 9,360' MD to 10,814' MD as shown on the Dual Induction Focused log of the Maxus Exploration Co. Flowers Trust "A" Well No. 2 (API No. 42-393-30671) Section 82, Block B-1, H & GN RR. Survey, Roberts County, Texas, be designated as the Mendota, NW. (Granite Wash) Field. Expansion of the designated interval is necessary to include the entire Granite Wash formation.

The proposed minimum well spacing of 467'/1200' ( lease/line/between well) is identical and consistent with the minimum well spacing rules for gas wells.

Because the field combines multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 75% W-10 well potential and 25% per well satisfies this requirement.

#### FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject fields at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Mendota, NW. (Granite Wash) Field was discovered in 1965 at 9,886' subsurface depth and is designated as a gas field.
  - a. Special field rules were adopted by Order No. 10-71,103, effective January 29, 1979, as amended and the allocation formula was suspended January 1, 1994.
  - b. The first well classified as an oil well was in 1967 and is subject to Statewide Rules.
  - c. Top allowable for an oil well is 172 BOPD and a net gas-oil ratio resulting in a casinghead gas limit of 1200 MCFD/well was adopted by Order No. 10-74,638 effective February 4, 1980.

- d. The gas field has 86 wells and multiple operators and the oil field has 15 wells and five operators.
4. The entire combined correlative interval from 9,360' MD to 10,814' MD as shown on the Dual Indiction Focused log of the Maxus Exploration Co. Flowers Trust "A" Well No. 2 (API No. 42-393-30671) Section 82, Block B-1, H & GN RR. Survey, Roberts County, Texas, be designated as the Mendota, NW. (Granite Wash) Field.
5. The proposed oil field rules of 160/optional 80 acre density is necessary for the orderly development of the field and the efficient and effective depletion of the reservoir.
  - a. Numerous wells in the field has over time been re-classified from gas to oibr oil to gas and several wells have been classified several times i.e. gas-oil-gas and oil-gas-oil.
  - b. The adjacent Mendota, NW. (Granite Wash, S.W.) Field, discovered in 1976, has identical density rules for the gas and oil wells i.e. 160/optional 80 acre density.
6. The proposed minimum well spacing of 467'/1200' ( lease/line/between well) is identical and consistent with the minimum well spacing rules for gas wells.
7. Because the field combines multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 75% W-10 well potential and 25% per well satisfies this requirement.
8. The net gas-oil ratio that results in a casinghead gas limit of 1200 MCFD/well should remain in effect at the allocation formula for the gas wells has been suspended since 1994.
9. The allocation formula for gas wells should remain suspended as there is a market for 100% of the produced gas from the field.

#### CONCLUSIONS OF LAW

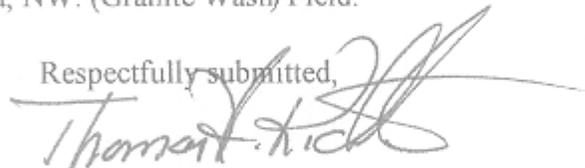
1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.

4. Adoption of the proposed amended field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed amended field rules for the Mendota, NW. (Granite Wash) Field.

Respectfully submitted,



Thomas H. Richter, P.E.  
Technical Examiner  
Office of General Counsel