



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 04-0293125

THE APPLICATION OF LEWIS PETRO PROPERTIES, INC. TO AMEND FIELD RULES FOR THE OWEN (OLMOS) FIELD WEBB COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Randall Collins – Legal Examiner

HEARING DATE: December 12, 2014
CONFERENCE DATE: March 24, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Bill Hayenga
Keith Masters, P.E.
Kelly Beck

Lewis Petro Properties, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Owen (Olmos) Field were originally adopted in Final Order No. 4-61,763, effective May 23, 1972. The field rules were last amended in Final Order No. 04-0271141, effective August 23, 2011. The field rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 5,050' to 7,014' as shown on the Induction log of the Tesoro Petroleum Corporation - Webb County School Land Lease, Well No. 1 (API No. 42-479-30249);
2. 467'-0' well spacing, with special provisions for "take points" and "off-lease" penetration point for horizontal drainhole wells;
3. 320 acre gas units with optional 40 acre density with a formula for the assignment of additional acreage to horizontal drainhole wells;
4. Allocation based on 50% deliverability and 50% acres with AOF status;
5. Stacked lateral rules.

Lewis proposes to amend the current take point spacing rule for horizontal drainhole wells in the field to provide for a dual lease line spacing of 100 feet from the first and last take points while maintaining the current minimum perpendicular distance of 467 feet from all take points to any property line, lease line, or subdivision line (100' - 467'). The application is unopposed and the examiners recommend that field rules be amended for the Owen (Olmos) Field.

DISCUSSION OF THE EVIDENCE

Cumulative production from the Owen (Olmos) Field is 441,628,519 mcfg and 1,486,290 STB of condensate. There are no oil wells in the field at the present time. Prior to 2007, well completions in the subject field were exclusively vertical well completions. The field has experienced a significant increase in the number of horizontal wells drilled since 2008, while the number of new vertical well completions in the field has steadily declined.

Lewis is the largest operator in the field in terms of the number of wells in the field. Lewis typically complete horizontal drainhole wells in the field with three sets of perforations per hydraulic fracture stimulation stage. Due to the nature of the productive reservoir in the field, a fracture network is created as opposed to a planar fractures as a result of hydraulically fracturing the reservoir rock. According to Lewis, most wells completed in the subject field target the 2nd Escondido Formation.

Lewis proposes to reduce the lease line spacing for first and last take points in horizontal wells from the current 467 feet distance to 100 feet. Lewis' witness testified that this field rule amendment would prevent waste. A 100' 467' dual lease line spacing has been previously adopted in the Sun TSH (Olmos) Field which is located approximately 20 miles from the Owen (Olmos) Field. Reducing the lease line spacing from 467 feet to 100 feet from first and last take points may provide up to an additional 734 feet of lateral length per well to recover reserves that may otherwise go unrecovered.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing.
2. Field rules for the Owen (Olmos) Field were last amended in Final Order No. 04-0271141, effective August 23, 2011.
3. Reducing the lease line spacing from 467 feet to 100 feet from first and last take points may provide up to an additional 734 feet of lateral length per well to recover reserves that may otherwise go unrecovered.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Amending the field rules for the Owen (Olmos) Field will prevent waste.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission amend the field rules for the Owen (Olmos) Field

Respectfully submitted,



Karl Caldwell
Technical Examiner



Randall Collins
Hearings Examiner