



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0295875

THE APPLICATION OF HILCORP ENERGY COMPANY TO ADOPT PERMANENT
FIELD RULES FOR THE W.D. MCMILLAN (YEGUA 9650) FIELD, WHARTON
COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

HEARING DATE: April 23, 2015
CONFERENCE DATE: August 25, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale Miller

Hilcorp Energy Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Hilcorp Energy Company ("Hilcorp") seeks to adopt permanent field rules for the W.D. McMillan (Yegua 9650) Field (the "Field"), Wharton County, Texas. The Field was discovered in 1998 and is currently on statewide rules for spacing and density. Hilcorp requests the following field rules be adopted for the Field:

1. Designate a correlative interval from 9,500 feet to 9,595 feet as shown on the log of the Forest Oil Corporation, Dorothy Hite Gas Unit, Well #5, (API 42-481-35209);
2. Maintain the current 467-foot lease line and 1200-foot between well spacing;
3. Establish 80-acre oil and gas proration units with 40-acre tolerance provisions and no maximum diagonal rule;

4. The option to file a Form P-15 and plat with just a plat of the entire lease and stating how many acres are being assigned to each well, and provide the option to file individual proration unit plats if they deem necessary; and
5. Establish allocation based on 100% acres with a top oil allowable based on the 1965 yardstick.

The application was not protested. The Examiners recommend that the permanent field rules be adopted for the W.D. McMillan (Yegua 9650) Field as requested by Hilcorp.

DISCUSSION OF EVIDENCE

The W.D. McMillan (Yegua 9650) Field was discovered on January 31, 1998, at a depth of 9,642 feet. The Field is currently on Statewide Rules with a top allowable of 157 barrels of oil per day ("BOPD") based on the 1965 Yardstick in Statewide Rule 45(a)(2)[16 Tex. Admin. Code. §3.45(a)(2)]. Seven gas wells and two oil wells have been completed in the Field. Four of the gas wells have been plugged and abandoned and three are carried on the gas proration schedule. There are two producing oil wells.

Since discovery the Field has produced 93,297 barrels of oil (BO), 334,777 thousand cubic feet ("MCF") of casinghead gas, 8,588,118 MCF of gas well gas, and 744,755 barrels of condensate. The average weighted gas-oil ratios are 8,870 standard cubic feet ("SCF") per standard tank barrel ("STB") from test data. The reservoir has an average porosity of 26 percent. The average water saturation is 35 percent. The average net effective gas pay thickness is 18.5 feet and the average net effective oil pay thickness is 15 feet. The oil has a gravity of 50° API and 0.7014 for dry gas.

The proposed correlative interval from 9,500 feet to 9,595 feet is based on the log of the Forest Oil Corporation, Dorothy Hite Gas Unit, Well #5, (API 42-481-35209) in Wharton County, Texas.

To establish spacing and density requirements for wells in the Field, Hilcorp evaluated the production history and reservoir information for oil and gas wells. Based on its analyses, Hilcorp estimates that the gas wells have a range of ultimate recovery from 3,336,974 MCF draining from a 106.26 acre area to 58,709 MCF draining from a 1.87 acre area. Hilcorp estimates that the oil wells have a range of ultimate recovery from 85,138 BO draining from a 71.94 acre area to 74,246 BO draining from a 62.73 acre area. Hilcorp proposes an 80-acre standard density for gas and oil wells, with optional 40-acre density, and no maximum diagonal rule. The current lease line and between well spacing will remain the same with 467-foot lease line and 1200-foot between well spacing.

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 and no protests were received.
2. The W.D. McMillan (Yegua 9650) Field (the "Field") was discovered on January 31, 1998, at a depth of 9,642 feet. The Field is currently on Statewide Rules with a top allowable of 157 barrels of oil per day ("BOPD") based on the 1965 Yardstick in Statewide Rule 45(a)(2)[16 Tex. Admin. Code. §3.45(a)(2)].
3. Since discovery the Field has produced 93,297 barrels of oil ("BO"), 334,777 thousand cubic feet ("MCF") of casinghead gas, 8,588,118 MCF of gas well gas, and 744,755 barrels of condensate.
4. The reservoir has an average porosity of 26 percent. The average water saturation is 35 percent. The average net effective gas pay thickness is 18.5 feet and the average net effective oil pay thickness is 15 feet. The oil has a gravity of 50° API and 0.7014 for dry gas.
5. Designating a correlative interval for the Field will aid operators in the area in permitting wells in the proper field.
6. Adopting 80 acre oil units with 40 acre optional units is appropriate as drainage area calculations shows that the number of acres drained by wells in the Field ranges from less than two acres to more than 106 acres.

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. The proposed field rules will reduce waste, protect correlative rights, and promote the orderly development of the Field.

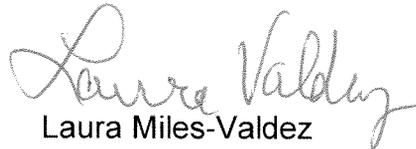
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission adopt permanent field rules for the W.D. McMillan (Yegua 9650) Field.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Laura Miles-Valdez
Hearings Examiner