

November 7, 2006

OIL AND GAS DOCKET NO. 01-0249098

APPLICATION OF LEWIS PETRO PROPERTIES, INC. TO CONSOLIDATE THE STUART CITY, S. (ESCONDIDO) AND STUART CITY, SW. (ESCONDIDO) FIELDS INTO THE SUN T S H (OLMOS) FIELD AND AMEND THE FIELD RULES FOR THE SUN T S H (OLMOS) FIELD, LASALLE COUNTY, TEXAS

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

DATE OF HEARING: November 3, 2006

APPEARANCES:

Keith Masters

REPRESENTING:

Lewis Petro Properties, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Lewis Petro Properties for the Commission to consider consolidating the Stuart City, S. (Escondido) and Stuart City, SW. (Escondido) Fields into the existing Sun T S H (Olmos) Field. The field rules as adopted by Order No. 01-0242462, issued effective May 10, 2005, for the Sun T S H (Olmos) Field are as follows:

1. The entire combined correlative interval from 5,850' to 7,710' as shown on the Induction Density-Neutron log of the Battlecat Operating Co. LLC, J. Foster Estate Lease Well No. 93, (API No. 42-283-31834), GC & SF RR Co/S A Yates Survey, LaSalle County, Texas, should be designated as the Sun T S H (Olmos) Field.
2. Minimum well spacing of 467'/600' (leaseline/between well);
3. Gas proration units of 40 acres and 10% tolerance with a maximum diagonal of 2,100' and optional 20 acre units and a maximum diagonal of 1,500'; and
4. An allocation formula based on 95% deliverability and 5% per well. The allocation formula was suspended in 1993.

Lewis Petro proposes adopting special field rules for oil wells as follows:

1. Minimum well spacing of 467'/600' (leaseline/between well);
2. Oil proration units of 40 acres and 20 acre tolerance with a maximum diagonal of 2,100' and optional 20 acre units and a maximum diagonal of 1,500'; and

3. An allocation formula based on 95% W-10 potential and 5% per well.¹

At the hearing it was determined that the Stuart City, S. (Escondido) Field (an Associated field) was consolidated into the Sun T S H (Olmos) Field by Order 01-0242462 effective May 10, 2005. However, it appears that only the “gas” field was consolidated and not the “oil” field. Lewis Petro is the only operator in the “oil” field with two wells. Consequently, Lewis Petro should transfer the two wells into the Sun T S H (Olmos) Field. The Commission’s Proration and Permitting Sections are notified to take those steps necessary to effect the consolidation of the Stuart City, S. (Escondido) Field (“oil”) into the Sun T S H (Olmos) Field as ordered by Commission Final Order No. 01-0242462 issued effective May 10, 2005. The subject application will now consist of combining the Stuart City, SW. (Escondido) Field into the existing Sun T S H (Olmos) Field only. The examiner recommends approval of Lewis Petro application as herein set out.

DISCUSSION OF THE EVIDENCE

The Sun T S H (Olmos) Field is an associated reservoir discovered in 1983 at 7,616' (gas) and 7,734' (oil) subsurface depth. Special field rules were adopted by Order 01-0242462 effective May 10, 2005, when the Stuart City, S. (Escondido) Field was consolidated into the Sun T S H (Olmos) Field.² The allocation formula was suspended in 1993. There are three operators in the “gas” field and over 110 wells. Lewis Petro is the only operator in the “oil” field with 4 wells which operates pursuant to Statewide Rules.

The Stuart City, SW. (Escondido) Field is an associated reservoir with the “gas” discovery in 1997 at 5,848' subsurface depth and the first “oil” well completed in 1993 at 5,806' subsurface depth. The field operates pursuant to Statewide Rules. The allocation formula was suspended in 2002. Lewis Petro is the only operator in the field with 19 gas wells.

Consolidation of the subject fields will provide for the orderly development of fields and the efficient and effective recovery of reserves that otherwise would go unrecovered. The wells that produce from the field are retrograde gas condensate wells and the deliverabilities are typically less than 400 MCFD per well. The oil wells are less than 16 BOPD.

Oil proration unit density of 40 acres and optional 20 acres is necessary for the efficient and effective depletion of the reservoir. Volumetric and production decline analysis was performed on the Martin 12 Wells No. 7 and 10. The No. 7 well has an estimated ultimate recovery (EUR) of 33,000 BO and 569 MMCF of gas. The calculated drainage area is 32 acres. The No. 10 well has an EUR of 32,000 BO and 358 MMCF of gas. The calculated drainage area is 23 acres.

Minimum “oil” well spacing of 467'/600' (leaseline/between well) will provide flexibility

¹ A two factor allocation formula is necessary for the “oil” side as the “gas” side has a two-factor allocation formula.

² Temporary field rules were cancelled in 1987 and the field has operated pursuant to Statewide Rules until the special field rules were adopted with the consolidation in May 2005.

in locating wells in the subject field and is appropriate to reflect the gas well spacing.

Because the field interval is combining potentially multiple productive zones, a two-factor allocation formula is necessary for the “oil” field as the “gas” field has a two-factor allocation formula for the protection of correlative rights pursuant to State Statutes. A two-factor allocation formula based on 95% W-10 and 5% per well satisfies this requirement. The allocation formula for the field should remain suspended as there is a market for 100% of the produced gas.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Sun T S H (Olmos) Field is an associated reservoir discovered in 1983 at 7,616' (gas) and 7,734' (oil) subsurface depth.
 - a. Special field rules were adopted by Order 01-0242462 effective May 10, 2005, when the Stuart City, S. (Escondido) Field was consolidated into the Sun T S H (Olmos) Field.
 - b. The allocation formula was suspended in 1993.
 - c. There are three operators in the “gas” field and over 110 wells. Lewis Petro is the only operator in the “oil” field with 4 wells which operates pursuant to Statewide Rules.
4. The Stuart City, SW. (Escondido) Field is an associated reservoir with the “gas” discovery in 1997 at 5,848' subsurface depth and the first “oil” well completed in 1993 at 5,806' subsurface depth.
 - a. The field operates pursuant to Statewide Rules.
 - b. The allocation formula was suspended in 2002.
 - c. Lewis Petro is the only operator in the field with 19 gas wells.
5. Consolidation of the subject fields will provide for the orderly development of fields and the efficient and effective recovery of reserves that otherwise would go unrecovered.
 - a. The wells that produce from the field are retrograde gas condensate wells and the

deliverabilities are typically less than 400 MCFD per well and the oil wells are less than 16 BOPD.

6. Oil proration unit density of 40 acres and optional 20 acres is necessary for the efficient and effective depletion of the reservoir.
 - a. Volumetric and production decline analysis was performed on the Martin 12 Wells No. 7 and 10.
 - b. The No. 7 well has an estimated ultimate recovery (EUR) of 33,000 BO and 569 MMCF of gas. The calculated drainage area is 32 acres.
 - c. The No. 10 well has an EUR of 32,000 BO and 358 MMCF of gas. The calculated drainage area is 23 acres.
7. Minimum “oil” well spacing of 467'/600' (leaseline/between well) will provide flexibility in locating wells in the subject field and is appropriate to reflect the gas well spacing.
8. The allocation formula for the field should remain suspended as there is a market for 100% of the produced gas.

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 for consolidation of fields and 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 consolidation of fields and adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.
5. The allocation formula for the field should remain suspended pursuant to Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation of the Stuart City, SW. (Escondido) into the existing Sun T S H

(Olmos) Field and the proposed amended field rules for the Sun T S H (Olmos) Field.

Respectfully submitted,

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