

**OIL AND GAS DOCKET NO. 04-0256252**

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**THE APPLICATION OF KERR-MCGEE OIL AND GAS ONSHORE L.P. TO CONSOLIDATE THE CERRITO CREEK (LOBO) FIELD, DOLORES CREEK (LOBO 8500) FIELD, DOLORES CREEK, SOUTH (LOBO 1) FIELD AND MORITAS CREEK (9700) FIELDS INTO THE (PROPOSED) CERRITO CREEK (LOBO CONS.) FIELD AND TO CONSIDER FIELD RULES FOR THE (PROPOSED) CERRITO CREEK (LOBO CONS.) FIELD, WEBB COUNTY, TEXAS**

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**Heard by:** Andres J, Trevino, P.E. on April 30, 2008

**Appearances:**

Ana Maria Marsland-Griffith  
Erika Josson  
Karen DuPont  
David Christian

Dale E. Miller

**Representing:**

Kerr-McGee Oil and Gas Onshore L.P.

Rosetta Resources Operating LP.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Kerr-McGee Oil and Gas Onshore L.P. requests that Cerrito Creek (Lobo) Field, Dolores Creek (Lobo 8500) Field, Dolores Creek, South (Lobo 1) Field and the Moritas Creek (9700) Fields be consolidated into a new field to be known as the Cerrito Creek (Lobo Cons.) Field. The fields proposed for consolidation are as follows:

Cerrito Creek (Lobo) Field	16724 240
Dolores Creek (Lobo 8500) Field	25235 150
Dolores Creek, South (Lobo 1) Field	25236 400
Moritas Creek (9700) Field	62925 750

Kerr-McGee requests that the following rules be adopted for the consolidated field:

1. Designated interval from 7,400 feet to 8,970 feet as shown on the Dual Induction/Density/Sonic log of the McKendrick No. 7;

2. Well spacing a minimum of 467 feet from lease lines with no between-well spacing limitation;
3. 40 acre drilling units, 10% tolerance and optional 20 acre units, no filing of Form P-15 and plat be required;
4. Allocation based 5% per well and 95% deliverability and allocation formula to remain suspended, adopt annual deliverability test pursuant to Rule 28(c);

Kerr-McGee requests a list of wells as identified on Exhibit No. 3 that are producing within the designated interval be consolidated into the proposed field. This application was unopposed and the examiner recommends approval of Kerr-McGee's request for field consolidation and field rules.

### **DISCUSSION OF THE EVIDENCE**

The four fields which are the subject of this hearing were discovered beginning in 1979. The fields include Lobo and Wilcox sands which are in the late stage of depletion. All four fields are non-associated gas fields and all operate under Statewide Rules, except the Dolores Creek(Lobo 8500) Field operates under special rules.

There will be a total of 78 wells that will be consolidated into the proposed Cerrito Creek (Lobo Cons.) Field. The 78 wells that are proposed to be consolidated into the field have had cumulative production of about 60.0 BCF of gas. In March 2008, the wells produced 180.7 MMCF gas per month or an average of 76 MCFPD per well. Kerr-McGee believes there are additional reserves of gas remaining. Kerr-McGee plans to drill additional wells in the field and perform workovers and recompletions.

As part of the 78 wells in the proposed Cerrito Creek (Lobo Cons.) Field, Kerr-McGee requests that 29 wells, operated by Kerr-McGee and Rosetta Resources be transferred into the Cerritos Creek (Lobo Cons.) Field. These wells are located in the immediate area and are completed within the proposed correlative interval.

Kerr-McGee requests that the consolidated field be designated as the interval from 7,400 feet to 8,970 feet as shown on the Dual Induction/Density/Sonic log of the McKendrick No. 7. The reservoir is geo-pressured at a depth of 7,400 feet at the top of the Lower Wilcox sand. The base of the interval will be the base of the Lower Wilcox which is located above the Midway Shale. Consolidation of the various sands into a single field will result in the recovery of additional reserves, which would otherwise be uneconomic, by producing multiple reservoirs simultaneously. Additionally, the wells require fracture stimulation to produce and fracture stimulating individual sands is not technically feasible.

Kerr-McGee will drill additional wells within the depleted reservoirs targeting the various sands within the consolidated interval that have not been drained yet. The sands are tight and highly faulted within the area. Kerr-McGee believes many fault blocks still exist that have not been drained. Eliminating the between-well spacing requirement will provide opportunities for infill drilling to target reserves compartmentalized by faulting without the need for Rule 37 exceptions.

Kerr-McGee requests a density rule of 40 acres with an optional 20 acres for the consolidated field due to the small average drainage pattern. Currently all fields have 40 acre statewide density except the Dolores Creek(Lobo 8500) Field operates under 160 acre density. Drainage calculations performed based on a range of porosity of 14.0% to 24.4%, water saturation ranging from 16.1% to 47.6% and net pay thickness ranging from 6 feet to 73 feet, demonstrated that the average well will drain 19 acres. Individual well drainage ranged from 46 acres to as little as 2 acres. This is due to the nature of the tight, faulted sandstones.

The proposed consolidated field will consist of numerous sands. A two factor allocation formula based on 95% deliverability and 5% per well is requested for the consolidated field to meet statutory requirements.

Kerr-McGee requests to eliminate the requirement to file Form P-15 and plats as there will be no between well spacing and acreage is not part of the allocation formula. Kerr-McGee requests to be required to submit annual deliverability tests as the wells have nearly flat production decline rates and requests the allocation formula remain suspended.

#### **FINDINGS OF FACT**

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The subject fields proposed for consolidation were discovered beginning in 1979. All of the fields are non-associated gas fields and there are 49 producing wells in the fields at this time with an additional 29 wells to be transferred.
3. The four fields produce from Lobo and Wilcox sands which are faulted, fine grained, of low permeability and in the late stages of depletion.
4. All of the fields operate under Statewide Rules, except the Dolores Creek (Lobo 8500) Field which operates under Special rules.

5. Consolidation of the fields will not harm any of the reservoirs because of the similar reservoir and fluid properties. Many of the zones are currently being commingled.
6. Consolidation of the fields will result in the recovery of additional reserves from the various fields as a result of a lower combined economic limit.
7. The Cerrito Creek (Lobo Cons.) Field should be designated as the correlative interval from 7,400 feet to 8,970 feet as shown on the Dual Induction/Density/Sonic log of the McKendrick No. 7.
8. All 29 wells proposed to be transferred into the Cerrito Creek (Lobo Cons.) Field are located in the immediate area and are completed within the proposed correlative interval.
9. The proposed 467'0" well spacing rule for the consolidated field will provide flexibility in drilling infill wells for completion in the various undrained, faulted Lobo and Wilcox sands without the need for Rule 37 exceptions.
10. A rule providing for 40 acre density with optional 20 acres is appropriate for the consolidated field as drainage calculations demonstrate the average well will only drain 19 acres.
11. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
12. All fields are currently producing at 100% AOF.
13. The production decline rate for existing wells is nearly flat, therefore requiring only annual deliverability test (G-10) is appropriate.

#### **CONCLUSIONS OF LAW**

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the fields as proposed by Kerr-McGee Oil and Gas Onshore L.P. is necessary to prevent waste and protect correlative rights.

4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the four subject fields and the listed wells on Exhibit No. 3 be consolidated into a new field to be known as the Cerrito Creek (Lobo Cons.) Field and that the requested field rules be adopted for the consolidated field.

Respectfully submitted,

Andres J. Trevino, P.E.  
Technical Hearings Examiner