

APPLICATION OF WAGNER OIL COMPANY TO CONSIDER CONSOLIDATION OF THE LA SAL VIEJA (8 9680-9935) AND LA SAL VIEJA (9 9935-10000) FIELDS INTO A NEW FIELD CALLED THE LA SAL VIEJA (8 AND 9 FRIO) FIELD AND TO ADOPT FIELD RULES FOR THE LA SAL VIEJA (8 AND 9 FRIO) FIELD, WILLACY COUNTY, TEXAS

HEARD BY: Donna K. Chandler, Technical Examiner

DATE OF HEARING: May 7, 2010

APPEARANCES:

Mike McElroy
David Sadler
Mark Belcher

REPRESENTING:

Wagner Oil Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Wagner Oil Company requests that the La Sal Vieja (8 9680-9935) Field and the La Sal Vieja (9 9935-10000) Field be consolidated into a single field called the La Sal Vieja (8 and 9 Frio) Field. Wagner also requests that the following field rules be adopted for the La Sal Vieja (8 and 9 Frio) Field:

1. Designation of the field as the entire correlative interval from 9,688 feet to 10,140 feet as shown on the log of the M. W. Petroleum - La Sal Vieja Gas Unit A Well No. 6;
2. 467'-933' well spacing;
3. 320 acre density with optional 40 acre density;
4. Allocation based on 95% acreage and 5% deliverability.

This application was unopposed and the examiner recommends approval of the field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The La Sal Vieja (8 9680-9935) Field was discovered in 1952 and the La Sal Vieja (9 9935-10000) Field was discovered in 1953. Both fields are non-associated gas fields which operate under rules providing for 660'-1,867' well spacing and 320/optional 160 acre density. There are two wells currently carried in each field.

Both fields are anticlinal structures with closure against a large fault to the west. Both designated fields are comprised of several individual Frio sands with varying thicknesses. These sands are generally not continuous from well to well.

A total of 15 wells have been completed in the two fields, with only two completions in the Frio 9 field and 13 completions in the Frio 8 field. Cumulative production from all wells in the two fields is approximately 16 BCF of gas.

Wagner has estimated that recoverable gas is approximately 530 MCF per acre-foot. With recoveries to date generally between 1.2 BCF and 5.7 BCF and net pay ranging from 11 feet to 48 feet, the calculated drainage areas for wells range from less than 40 acres to 285 acres.

Wagner's most recent completion was the B. F. Cox No. 5ST. This well was completed in January 2010 in the Frio 9 field with an initial test rate of 1,900 MCFD. Through April 2010, the well has produced 163 MCF of gas. It is the only producing well currently on the schedule in either field. Wagner plans to drill additional wells for completion in both fields. Consolidation of the two fields will result in additional recovery as a result of decreased completion and operating costs.

It is requested that the consolidated field be designated as the correlative interval from 9,688 feet to 10,140 feet as shown on the log of the M. W. Petroleum - La Sal Vieja Gas Unit A Well No. 6. Because the proposed consolidated field contains multiple sands, a two factor allocation formula is required by statute. Wagner proposes that allocation be based on 95% acreage and 5% deliverability/potential.

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. The La Sal Vieja (8 9680-9935) Field was discovered in 1952 and the La Sal Vieja (9 9935-10000) Field was discovered in 1953.

3. The La Sal Vieja (8 9680-9935) and the La Sal Vieja (9 9935-10000) Fields are non-associated gas fields which operate under rules providing for 660'-1,867' well spacing and 320/optional 160 acre density.
4. Each field is composed of numerous lenticular Frio sands.
5. A total of 15 wells have been completed in the two fields, with cumulative production from all wells of approximately 16 BCF of gas.
6. Field rules providing for 320/optional 40 acre density is appropriate for the consolidated field.
 - a. Ultimate recoveries for wells ranges generally between 1.2 BCF and 5.7 BCF and net pay ranging from 11 feet to 48 feet.
 - b. The calculated drainage areas range from less than 40 acres to 285 acres.
7. Consolidation of the fields will result in the recovery of additional reserves as a result of lower drilling, completion and operating costs.
8. The proposed spacing rule is consistent with 40 acre development.
9. The La Sal Vieja (8 and 9 Frio) Field should be designated as the correlative interval from 9,688 feet to 10,140 feet as shown on the log of the M. W. Petroleum - La Sal Vieja Gas Unit A Well No. 6.
10. Allocation based on 95% acreage and 5% deliverability is a reasonable formula which will protect correlative rights and meet statutory requirements.

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. Consolidation of the fields and adopting field rules for the La Sal Vieja (8 and 9 Frio) Field is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend approval of the proposed field consolidation and field rules for the La Sal Vieja (8 and 9 Frio) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner