



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 04-0285508

THE APPLICATION OF HEADINGTON OIL COMPANY TO CONSOLIDATE VARIOUS RITA FIELDS AND TO ADOPT FIELD RULES FOR THE PROPOSED RITA (CONSOLIDATED) FIELD, KENEDY COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Marshall Enquist – Legal Examiner

HEARING DATE: December 5, 2013

APPEARANCES:

John Hicks
Flip Whitworth
Scott Kelley
Theresa Hardin

REPRESENTING:

Headington Oil Company LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Headington Oil Company requests that 147 Rita Fields listed in Attachment A be consolidated into a new field to be known as the Rita (Consolidated) Field, and that field rules for the Rita (Consolidated) Field be adopted. Headington requests that the following rules be adopted for the consolidated field:

1. Designated correlative interval from 3,270 feet MD to 10,900 feet MD as shown on the Induction/SFL/SP/Gamma Ray log of the Exxon Company, USA, Mrs. S. K. East, Well No. 112, API No. 261-30568, "Los Finados" Grant, J. N. De La Garza Survey, Abstract A-36, Kenedy County, Texas.
2. Minimum lease line to well spacing of 467 feet; no between-well spacing limitation.
3. 40 acre standard drilling units with optional 5-acre units for both oil and gas wells; proration unit plats are not required and acreage assignments listed on attachment to Form P-15.

4. Allocation based 5% per well and 95% deliverability for gas wells and a salvage classification for oil wells; the gas allocation formula will be suspended.

The application is not protested. The examiners recommend approval of the field consolidation and adopting the proposed field rules.

DISCUSSION OF THE EVIDENCE

Headington recently acquired assets from ExxonMobil on one lease in an area it refers to as the Rita field. This area is about 8 miles northwest of the town of Armstrong, Kenedy County, Texas. Generally, the subject area is about 3.5 miles east to west and 2.5 miles north to south. There are currently about 25 producing wells in the Rita field area. However, the proposed consolidation includes 147 fields, many of which do not have any wells currently assigned, and some that are one-well fields. Of the 147 fields, 95 are gas fields and 52 are oil fields. Headington is the only operator in the subject fields, and thus will be the only operator in the proposed consolidated field.

These are mature fields composed of tight lenticular sand accumulations within a much thicker sand/shale sequence of the Frio Formation. Production in the area began in the late 1940s and 1950s. The area is heavily faulted. The western side of the field tends to produce more gas, and the east side more oil. Many of the zones are marginal to uneconomic to produce alone. Cumulative production for all of the 147 fields is 148.3 billion cubic feet of gas and 4.3 million barrels of oil. By consolidating the fields Headington will be able to more efficiently commingle production from multiple horizons within the overall proposed Rita (Consolidated) Field.

The proposed correlative interval for the Rita (Consolidated) Field is from 3,270 feet MD to 10,900 feet MD as shown on the Induction/SFL/SP/Gamma Ray log of the Exxon Company, USA, Mrs. S. K. East, Well No. 112, API No. 261-30568, "Los Finados" Grant, J. N. De La Garza Survey, Abstract A-36, Kenedy County, Texas.

Previously, ExxonMobil had developed much of the area using mechanically complicated multiple completions. Headington intends to redevelop the field and target reserves that have been passed over. This will include recompleting existing wells and drilling new wells. For the consolidated field, exceptions to Statewide Rule 10 allowing downhole commingling will not be required. Headington has more than 10 years of similar experience redeveloping the nearby Armstrong & Candelaria fields and has not encountered any fluid compatibility issues.

Currently all of the fields are on statewide rules with spacing of 467 feet to lease line and 1,200 feet between wells, and 40 acre density. Headington proposes to eliminate the minimum between-well spacing requirement and provide for optional 5 acre proration units. These rules will help Headington to efficiently redevelop the field. 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.

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 gas wells in the consolidated field to meet statutory requirements. Headington requests oil wells be given a salvage classification.

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 147 subject fields proposed for consolidation were discovered beginning in the late 1940s. Of these fields, 95 are gas fields and 52 are oil fields. There are about 24 producing wells currently in these fields.
3. The 147 fields are mature and have produced 148.3 billion cubic feet of gas and 4.3 million barrels of oil.
4. All of the fields operate under Statewide Rules for spacing and well density.
5. Consolidation of the fields will not harm any of the reservoirs because of the similar reservoir and fluid properties as 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 Rita (Consolidated) Field should be designated as the correlative interval from 3,270 feet MD to 10,900 feet MD as shown on the Induction/SFL/SP/Gamma Ray log of the Exxon Company, USA, Mrs. S. K. East, Well No. 112, API No. 261-30568, "Los Finados" Grant, J. N. De La Garza Survey, Abstract A-36, Kenedy County, Texas
8. The proposed 467'0" well spacing rule for the consolidated field will provide flexibility in drilling redevelopment wells.
9. A density rule providing for 40 acre density with optional 5 acres is appropriate for the consolidated field.
10. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
11. All fields are currently producing at 100% AOF.

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 Headington Oil Company will 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 be consolidated into a new field to be known as the Rita (Consolidated) Field and that the requested field rules be adopted for the consolidated field.

Respectfully submitted,



Paul Dubois
Technical Examiner



Marshall Enquist
Legal Examiner

ATTACHMENT A

RITA FIELDS TO BE CONSOLIDATED

REGULATORY FIELD NAME	CLASSIFICATION	REGULATORY FIELD CODE
RITA (2-G,II)	GAS	76936 020
RITA (2-K, II)	GAS	76936 022
RITA (2-P, I)	GAS	76936 024
RITA (2-R)	GAS	76936 025
RITA (2-R,II)	GAS	76936 027
RITA (3-F, I)	GAS	76936 031
RITA (3-I,II)	GAS	76936 034
RITA (4-I & P, I)	GAS	76936 036
RITA (4-L & M, I)	GAS	76936 054
RITA (4-Q)	GAS	76936 060
RITA (4-Q, II)	GAS	76936 066
RITA (4-R, SEG I)	GAS	76936 090
RITA (4-R, SEG II)	GAS	76936 108
RITA (4-R-III)	OIL	76936072
RITA (5-A)	GAS	76936 126
RITA (5-A, UPPER)	OIL	76936166
RITA (5-A, SEG II)	GAS	76936 162
RITA (5-A, III)	GAS	76936 144
RITA (5-B, I)	GAS	76936 170
RITA (5-D)	OIL	76936180
RITA (5-D & E)	OIL	76936187
RITA, NW (5-D)	GAS	76940 500
RITA (5-D & E, II)	GAS	76936 184
RITA (5-I, W)	OIL	76936310
RITA (5-1)	GAS	76936 306
RITA (5 I, SEG. II)	GAS	76936 193
RITA (5-L)	GAS	76936 198
RITA (5-L, II)	GAS	76936 199
RITA (5-L, SEG. 1 A)	OIL	76936200
RITA (5-L, SEG. 1 A)	GAS	76936 200
RITA (5-M, NORTH)	OIL	76936204
RITA (5-M, SEG. II)	OIL	76936208
RITA (5-M, SEG. II-A)	OIL	76936210
RITA (5-N-I)	GAS	76936 216
RITA (5-N-II)	OIL	76936234
RITA (5-N-II)	GAS	76936 234
RITA (5-N-III)	OIL	76936252
RITA (5-N-III, S)	GAS	76936 254
RITA (5-O, SEG II)	GAS	76936 270

REGULATORY FIELD NAME	CLASSIFICATION ^{FC}	REGULATORY FIELD CODE
RITA (5-O, III-B)	OIL	76936288
RITA (5-O, III-B)	GAS	76936 288
RITA (5-P, II)	OIL	76936290
RITA (5-P, II)	GAS	76936 290
RITA (5-P-3)	GAS	76936 292
RITA (5-R,II)	GAS	76936 300
RITA (5-R, III)	OIL	76936301
RITA (6-C)	GAS	76936 318
RITA (6-C, II)	GAS	76936 320
RITA (6-E, III)	GAS	76936 321
RITA (6-F-II)	GAS	76936 322
RITA (6-F-II-A)	GAS	76936 323
RITA (6-F-III)	OIL	76936324
RITA (6-M, II)	GAS	76936 330
RITA (7-A)	OIL	76936332
RITA (7-B, II)	GAS	76936 333
RITA (7-E,II)	GAS	76936 335
RITA(7-E , II)	GAS	76936 379
RITA (7-E, II-A)	OIL	76936336
RITA (7-E, II-B)	GAS	76936 334
RITA (7-F, II)	GAS	76936 338
RITA (7-G,II)	GAS	76936 340
RITA (7-G-III)	OIL	76936342
RITA (7-G & H-II)	GAS	76936 337
RITA (7-H,II-A)	GAS	76936 345
RITA (7-I, SEG, II)	GAS	76936 347
RITA (7-J,II-B)	GAS	76936 350
RITA (7-J-III)	OIL	76936360
RITA (7-K, III)	OIL	76936365
RITA (7-K, III)	GAS	76936 365
RITA (7-L,IIA)	GAS	76936 374
RITA (7-L,II)	GAS	76936 373
RITA (8-A)	OIL	76936378
RITA (8-A)	GAS	76936 378
RITA (8-B, III)	GAS	76936 380
RITA (8-D)	OIL	76936396
RITA (8-D & E, SEG I)	GAS	76936 402
RITA (8-S, III)	OIL	76936414
RITA (8-S SEG III-A)	OIL	76936432
RITA (8 S, IV)	GAS	76936 440
RITA (8-T, SEG I)	GAS	76936 450
RITA (9-A SEG.2)	GAS	76936 460
RITA (9-A, SEG 3)	OIL	76936468

REGULATORY FIELD NAME	CLASSIFICATION	REGULATORY FIELD CODE
RITA (9-A, SEG 3)	GAS	76936 468
RITA (9-B)	GAS	76936 486
RITA (9-B&C,II)	GAS	76936 489
RITA (9-B&C, II A)	OIL	76936490
RITA (9-D)	GAS	76936 493
RITA (9-I, II A)	OIL	76936500
RITA (9-I, SEG 3)	OIL	76936504
RITA (9-I, SEG 3)	GAS	76936 504
RITA (9-I, SEG 3-A)	OIL	76936522
RITA (9-K, 1)	GAS	76936 530
RITA (9-M)	OIL	76936540
RITA (9-M,U)	GAS	76936 576
RITA (9-M, SEG 3)	OIL	76936558
RITA (9-N-III)	OIL	76936580
RITA (9-N-III)	GAS	76936 580
RITA (9-P, SEG II)	OIL	76936612
RITA (9-P, SEG II)	GAS	76936 612
RITA (9-P-III)	OIL	76936594
RITA (9-P-III)	GAS	76936 594
RITA (9-Q, 7050)	OIL	76936630
RITA (7100)	GAS	76936 936
RITA (9-R-II)	OIL	76936647
RITA (9-R-III)	OIL	76936648
RITA (9-R-III)	GAS	76936 648
RITA (9-S-II)	OIL	76936657
RITA (9-S-II)	GAS	76936 657
RITA (9-S-III)	OIL	76936666
RITA (9-S, U.)	GAS	76936 684
RITA (9-T & U, III-A)	OIL	76936702
RITA (9-V)	GAS	76936 713
RITA (9-W, SEG 3-A)	OIL	76936720
RITA (9-Y, III)	GAS	76936 725
RITA (10-A,II)	OIL	76936735
RITA (10-A,II)	GAS	76936 735
RITA (10-A-III)	OIL	76936738
RITA (10-A-III)	GAS	76936 738
RITA (10-A, SEG 3-A)	OIL	76936756
RITA (10-H)	OIL	76936774
RITA (10-J)	OIL	76936776
RITA (7600)	OIL	76936972
RITA (7600)	GAS	76936 972
RITA (10-L-II)	GAS	76936 778
RITA (10-M)	OIL	76936779

REGULATORY FIELD NAME	CLASSIFICATION	REGULATORY FIELD CODE
RITA (7940)	GAS	76936 982
RITA (11-E)	OIL	76936784
RITA (ZONE 11-E, S)	GAS	76936 019
RITA (11-Q, III)	GAS	76936 780
RITA (11-R, II)	GAS	76936 782
RITA 11-S (III-B)	OIL	76936783
RITA (11-S, III)	GAS	76936 781
RITA (11-U, N)	GAS	76936 785
RITA (12-A)	GAS	76936 792
RITA (12-E)	OIL	76936810
RITA (12-E)	GAS	76936 810
RITA (12-F, III)	OIL	76936818
RITA (12-M, III)	GAS	76936 823
RITA (12-S, 3)	GAS	76936 828
RITA (12-W, III)	GAS	76936 846
RITA (12-X, SEG. III)	GAS	76936 864
RITA (13-C)	GAS	76936 882
RITA (13-C, W)	GAS	76936 886
RITA (13-D)	GAS	76936 900
RITA (13-H, SEG III)	GAS	76936 918
RITA, WEST (I-45)	GAS	76943 500
RITA (J-90)	GAS	76936 011