

OIL AND GAS DOCKET NO. 09-0228398

THE APPLICATION OF MITCHELL ENERGY CO. TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 10 IN THE FAYE PHILLIPS GAS UNIT WELL NO. 3C AND IVY D. LAWRENCE WELL NO. 1T, GADBERRY (CADDO LIME) AND MORRIS (CONSOLIDATED CONGL.) FIELDS, WISE COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural History

Application received: May 15, 2001

Hearing held: March 3, 2002

Appearances

Brian Sullivan

Mark Stephenson

Cheryl Thompson

Greg Avra

Representing

Mitchell Energy Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Mitchell Energy is seeking to downhole commingle production from a completion in the Gadberry (Caddo Lime) Field known as the Faye Phillips Gas Unit Well No. 3C, and a completion in the Morris (Consolidated Congl.) Field known as the Ivy D. Lawrence Well No. 1T. The ownership between the two completions is not identical and Mitchell is seeking approval of its method of allocating production separately for each completion.

DISCUSSION OF THE EVIDENCE

The Gadberry (Caddo Lime) gas field was discovered in 1975, and is under Wise County Regular Rules with 20-acre density and 330-933' well spacing. There are only two gas wells in this associated field, both operated by Mitchell. The Morris (Consolidated Congl.) oil field was discovered in 1974 and has oil field rules with 80-acre density and 467-1320' well spacing. Over 30 fields were consolidated to form the Morris (Consolidated Congl.) Field and there are many operators and many wells in this field.

The subject wellbore was drilled in 1997 and is at a regular location with respect to both field rules. The wellbore is on the proration schedule of the Morris (Consolidated Congl.) Field under the name of Ivy D. Lawrence Lease Well No. 1T with an exception to Statewide Rule 14(b)(2). The perforations in the Morris (Consolidated Congl.) Field are between 4132 and 4300'. This casing completion produced 9900 BO and 174 MCF before being shut-in during 1999, due to loading

problems.

The wellbore is shown on the proration schedule of the Gadberry (Caddo Lime) Field under the name of Faye Phillips Gas Unit Well No. 3C. The perforations in this field are between 4004 and 4080' and this completion has produced 200 BO and 517 MMCF. The most recent reported capability is 1430 MCF per month. This tubing completion is also experiencing loading problems and a pump will have to be installed soon.

The abandonment pressure for the wellbore is assumed to be 300 psia, and the remaining reserves in the Gadberry (Caddo Lime) Field are 250 BO and 720 MMCF at that limit. If this application to downhole commingle is approved, the abandonment pressure in each field will be 150 psia. The combined production is expected to be 20 BOPD and 300 MCF/D. The incremental recovery from commingling will be 50 BO and 175 MMCF in the Gadberry (Caddo Lime) Field and 12,300 BO and 490 MMCF in the Morris (Consolidated Congl.) Field.

The calculated bottom-hole pressure in 1998 was 427 psi in the Faye Phillips Gas Unit Well No. 3C [Gadberry (Caddo Lime) Field] but bottom-hole pressure in the shut-in Ivy D. Lawrence Lease Well No. 1T [(Consolidated Congl.) Field] is unknown. Both zones will be pumped together which should limit cross-flow.

Mitchell is proposing to assign 64.4% of the future production (estimated to be 1,584.513 MMCFe) to the 323.6-acre Faye Phillips Gas Unit, and 35.6% to the 100-acre Ivy D. Lawrence Lease. There are over 100 royalty and working interest owners in the two completions. One hundred percent of the interest in the Ivy D. Lawrence Lease, and 99.15% of the interest in the Faye Phillips Gas Unit have agreed to this proposal. Two of the five unsigned interest owners have not been located. The other three owners have very small interests and have not responded to either written or telephone communication.

The applicant requested that commingled production be assigned to the Morris (Consolidated Congl.) Field. Mitchell's M.E. Pruett "A" Lease Well No. 2 has already been commingled in these two fields and is assigned to this field.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the fields and all offset operators and unleased mineral interest owners on March 1, 1995.
2. Notice of this hearing was published in the Wise County Messenger, a newspaper of general circulation in Wise County on March 3, 10, 17 and 24, 2002.
3. The wellbore was drilled in 1997; and has produced 9900 BO and 174 MCF from the Morris (Consolidated Congl.) Field, and 200 BO and 517 MMCF in the Gadberry (Caddo Lime) Field.
4. The Morris (Consolidated Congl.) perforations are between 4132 and 4300' and the well is listed in this field as the Ivy D. Lawrence Lease Well No. 1T.

5. The Gadberry (Caddo Lime) perforations are between 4004 and 4080' and the well is listed in this field as the Faye Phillips Gas Unit Well No. 3C.
6. The casing completion in the Morris (Consolidated Congl.) Field was shut-in during 1999, due to loading problems, and the tubing completion in the Gadberry (Caddo Lime) Field is also experiencing loading.
7. Combined production is expected to be 20 BOPD and 300 MCF/D.
8. The subject wellbore is at a regular location in both fields.
9. Cross-flow will not be a problem because both completions will be pumped together.
10. The anticipated incremental recovery from this Rule 10 exception is 50 BO and 175 MMCF in the Gadberry (Caddo Lime) Field and 12,300 BO and 490 MMCF in the Morris (Consolidated) Field.
11. Royalty and working interest ownership is different with respect to the two fields proposed to be commingled, and the operator will allocate production based on remaining reserves.
 - a. The remaining reserves in the Gadberry (Caddo Lime) Field in this well are 1,020,268 MCF of gas and 550 BO.
 - b. The remaining reserves in the Morris (Consolidated Congl.) Field in this well are 12,272 BO and 490,283 MCF of gas.
 - c. Mitchell will assign 64.4% of the future production to the Faye Phillips Gas Unit, and 35.6% to the Ivy D. Lawrence Lease.
 - d. One hundred percent of the interest in the Ivy D. Lawrence Lease, and 99.15% of the interest in the Faye Phillips Gas Unit have agreed to this proposal.
 - e. No one has expressed any opposition to the proposed allocation.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Granting the requested Rule 10 exception will prevent waste and the proposed method of allocating production will protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the requested Rule 10 exception be granted and that the proposed method of allocating production be approved.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: April 22, 2002