

OIL AND GAS DOCKET NO. 06-0254291

THE APPLICATION OF ERGON ENERGY PARTNERS, L.P. TO CONSIDER VARIOUS PRORATION MATTERS IN THE BROOKELAND (AUSTIN CHALK, 8800) FIELD, ANGELINA, JASPER, POLK, NEWTON, SABINE, SAN AUGUSTINE AND TYLER COUNTIES, TEXAS

Heard by: Andres J. Trevino, P.E. Technical Examiner

Hearing Date: December 17, 2007

Appearances:

Representing:

Dale E. Miller
David Christian

Ergon Energy Partners, L.P.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Ergon Energy Partners, L.P. requests that the status of the Brookeland (Austin Chalk, 8800) Field be changed from associated 49(b) to associated-prorated and that the allocation formula for the field be suspended.

This application was unopposed and the examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Brookeland (Austin Chalk, 8800) Field (gas field) was discovered in 1983 and later consolidated with numerous other Austin Chalk fields in 1993. The associated oil field in the Brookeland (Austin Chalk, 8800) Field operates under field rules providing for 160 acre density. The Brookeland (Austin Chalk, 8800) Field is classified as associated 49(b) and operates under rules providing for 160 acre density, with allowable assignment of about 928 MCFD per well on 160 acres.

The top allowable in the oil field is 402 BOPD. The Commission will normally administratively change an associated gas field from 49(b) status to prorated status if no oil well produces in excess of 20% of the top allowable. Because this field was classified

as Associated 49(b) by Docket 03-0203955 & 03-0205124, effective July 18, 1994 a hearing is required to change the classification. In this field, the highest allowable assigned to any oil well is 27 BOPD, which is significantly less than 20% of 402 BOPD. All of the other 74 oil wells in the field produce only 0-19 BOPD with the vast majority producing an average of 5 BOPD. The well which has a 27 BOPD allowable is the Barrow Unit A-928 No. 1 operated by Swift Energy Operating. The actual production from this well was about 23 BOPD in October 2007.

Besides the limited oil production, Ergon submitted additional evidence to support its position that changing the gas field status will not harm oil reserves. All Brookeland (Austin Chalk, 8800) wells in Tyler County have been classified as permanent gas wells by Docket No. 06-0243382, effective February 7, 2007 as PVT analysis indicated those wells were producing from a retrograde condensate reservoir. The Austin Chalk is a fractured limestone that contains most of its oil & gas within the fractures. The wells typically have high potentials followed by rapid declines. Recent horizontal well completions have had initial potentials exceeding 10 MMCFD with flowing wellhead pressures of 7,000 psi. There is no evidence that a gas cap over an oil column exists in the field. Therefore, Ergon believes that higher rates of production from gas wells will not affect production from any of the oil wells.

Ergon's testimony is that there is a market for all gas produced from the field. Therefore, suspension of the allocation formula is appropriate.

FINDINGS OF FACT

1. Notice was issued to all affected persons at least ten (10) days prior to the date of the hearing.
2. The Brookeland (Austin Chalk, 8800) Field was discovered in 1983.
3. The Brookeland (Austin Chalk, 8800) Field is an associated field, with the oil field. The oil field operates under field rules providing for 160 acre density and the gas field is classified as associated 49(b) by Docket Nos 03-0203955 & 03-0205124, effective July 18, 1994 and operates under rules providing for 160 acre density.
4. Gas wells have a top allowable of about 928 MCFD on 160 acres. The top allowable in the oil field is 402 BOPD for vertical wells.
5. The Brookeland (Austin Chalk, 8800) Field meets the requirements for administrative change in classification from associated 49(b) status to prorated status. No oil well produces in excess of 20% of the top allowable.

6. Changing the gas field status to associated prorated will not harm oil reserves.
 - a. The Austin Chalk is a fractured limestone in which wells have high initial potentials followed by rapid declines.
 - b. Recent horizontal gas wells in the field have encountered near virgin pressure and have significantly higher producing rates than any other gas wells in the field.
 - c. The new wells produce from the same correlative Austin Chalk interval as other wells but apparently not in communication.
7. There is a market for all gas produced from the field and suspension of the allocation formula is appropriate.

CONCLUSIONS OF LAW

1. Proper notice was timely issued to all persons legally entitled to notice.
2. All things have been accomplished to give the Commission jurisdiction in this matter.
3. Classification of the Brookeland (Austin Chalk, 8800) Field as associated-prorated will not cause waste.
4. Suspension of the allocation formula in the Brookeland (Austin Chalk, 8800) Field is appropriate pursuant to Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Brookeland (Austin Chalk, 8800) Field be classified as associated-prorated and that the allocation formula for the field be suspended.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner