

OIL AND GAS DOCKET NO. 02-0225600

THE APPLICATION OF WYNN-CROSBY ENERGY INC. FOR NEW FIELD DESIGNATION FOR THE ROCHELLE LEASE, WELL NO. 1, (PROPOSED) DRY HOLLOW, EAST (UPPER ROCHELLE) FIELD, LAVACA COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Reviewed by: Mark Tittel, Hearings Examiner

Procedural history

Application received: July 3, 2000

Administrative denial: July 11, 2000

Hearing requested: July 31, 2000

Protest received: August 17, 2000

Protest withdrawn: September 12, 2000

Hearing held: September 13, 2000

Appearances

Rick Johnston

Representing
Wynn-Crosby Energy Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Wynn-Crosby Energy is seeking to have its Rochelle Lease Well No. 1 designated as the discovery well for a proposed new field to be known as Dry Hollow, East (Upper Rochelle) Field. This application was denied administratively because the Rochelle No. 1 has already been designated as the discovery well for another field. The examiner recommends that the Wynn-Crosby Energy Rochelle Lease Well No. 3 be designated as the discovery well rather than Well No. 1, and that the new field be called the Dry Hollow, NW (Upper Rochelle) Field. Wynn-Crosby has no objection to this proposal.

A written protest to the hearing notice on this application was received from Dorothy Ploeger and Mary Ann Menning, offset mineral interest owners. This protest was withdrawn before the hearing.

DISCUSSION OF THE EVIDENCE

When Dale Operating Company drilled the Rochelle Lease Well No. 1 in November of 1998, it discovered a previously unproduced reservoir in the Upper Rochelle. The well was perforated between 13,780 and 13,858 feet and had an initial potential of 1571 MCF/D at a bottomhole pressure of 12,279 psi. On December 31, 1998, the Railroad Commission designated the Rochelle No. 1, between 13,775 feet and 13,895 feet, as the discovery well for the Dry Hollow (Upper Rochelle) Field.

Several subsequent wells have been placed in the Dry Hollow (Upper Rochelle) Field, and Wynn-Crosby, the current operator of the Rochelle Well No. 1, believes these wells are not in the same reservoir as the discovery well. On July 3, 2000, Wynn-Crosby requested that Rochelle No. 1, with the same perforations, be considered the discovery well for yet another new field to be known as the Dry Hollow, E (Upper Rochelle) Field. This application was denied administratively in a letter dated July 11, 2000, because “[t]he discovery well for a field cannot be transferred out of a field, and become the discovery well for another new field.”

Wynn-Crosby drilled the Rochelle Lease Well No. 3 in June of 1999. The permit for this well allows it to produce from the Dry Hollow (Upper Rochelle) Field but not at the same time as the Rochelle Lease Well No. 1 is producing from the same field. Statewide field rules require that wells on the same lease be 1200 feet apart and Well No. 3 is only about 900 feet northwest of Well No. 1. The two wells can be produced concurrently if they are in different Upper Rochelle fields, and Wynn-Crosby believes they are in separate fields.

The Upper Rochelle in the Rochelle Well No. 3 was perforated and tested during May of 2000. The producing rate was tested at about 5 MMCF per day and the Upper Rochelle interval in Well No. 3 was then downhole commingled with the Dry Hollow (Rochelle Sand) Field. The Upper Rochelle perforations in Well No. 3, from 13,824 feet to 13,896 feet, appear to be in the same correlative interval as the Upper Rochelle perforations in Well No. 1.

However, pressure data from the Rochelle Well Nos. 1 and 3 indicate that the Upper Rochelle sandstones in the two wells are not in communication. During May, 2000, the bottomhole pressure in the Rochelle No. 1 was measured at 3080 psi. During the same month, the bottomhole pressure in the Rochelle No. 3 was measured at 6889 psi.

Wynn-Crosby believes that the first well to produce from the same reservoir as its Rochelle No. 3 was probably the Coastal Oil & Gas Corporation Lampley Well No. 5. This well was perforated in the Upper Rochelle (between 13,658 and 13,764 feet) in January of 1999 and placed in the Dry Hollow (Upper Rochelle) Field. In January of 2000, the Upper Rochelle and Dry Hollow (Rochelle Sand) Fields were downhole commingled in the Lampley No. 5 under a Rule 10 exception.

Because of the downhole commingling, it would not have been possible in May, 2000, to obtain the bottomhole pressure in only the Upper Rochelle of Coastal’s Lampley Well No. 5. At the

hearing, Wynn-Crosby initially suggested replacing the Rochelle No. 1 as the discovery well for the Dry Hollow (Upper Rochelle) Field with the Coastal Oil & Gas O.A. Lampley Well No. 5 (with a designated interval between 13,630 feet and 13,850 feet).

Both the Rochelle No. 1 and the O.A. Lampley No. 5 have been downhole commingled. It is not possible to compare the current bottomhole pressures in the Rochelle No. 3 and Coastal's Lampley No. 5 to be certain that they produce from the same reservoir. After discussions at the hearing, Wynn-Crosby is now requesting that its Rochelle No. 3 be used as the discovery well for the new field [to be known as the Dry Hollow, NW (Upper Rochelle) Field], even though its initial pressure did indicate partial depletion.

There is one additional well with a completion carried in the Dry Hollow (Upper Rochelle) Field, Coastal's O.A. Lampley GU Lease Well No. 10U. This well is farther from the Rochelle No. 3 than the Lampley No. 5 and may be in the same reservoir as the Lampley No. 5 and the Rochelle No. 3. If so it would be the only active (not yet downhole-commingled) well in the reservoir which is being designated as a new field under this application. Well No. 10U has already received a Rule 10 exception to downhole commingle the Upper Rochelle. When this action is accomplished there will be no wells prorated on the Dry Hollow, NW (Upper Rochelle) Field schedule because they have all been downhole commingled.

EXAMINERS' RECOMMENDATION

If the Rochelle No. 1 and No. 3 are producing from different reservoirs, the examiners believe they can be produced concurrently. The Rochelle No. 1 was the discovery well for the Dry Hollow (Upper Rochelle) Field and cannot be the discovery well for another field (in the same perforated interval). Using a partially depleted well such as the Rochelle No. 3 as the discovery well for a new field such as the Dry Hollow, NW (Upper Rochelle) Field is not ideal for most fields. However, it is a practical solutions in this docket.

If Coastal's O.A. Lampley GU Well No. 10U is not downhole commingled soon, it should perhaps be transferred to the Dry Hollow, NW (Upper Rochelle) Field. This could be accomplished by an administrative field transfer but given the uncertainty about current bottomhole pressures it would be unreasonable to require Coastal to transfer its Well No. 10U at the present time.

FINDINGS OF FACT

1. On August 17, 18 or 21, 2000, notice of this hearing was given to all operators in the proposed Dry Hollow, NW (Upper Rochelle) Field and to all offset operators and unleased mineral interest owners to the discovery tract.
2. The well to be treated as the discovery well for the proposed Dry Hollow, NW (Upper Rochelle) Field, the Wynn-Crosby Energy (originally Dale Operating Company) Rochelle Lease Well No. 3 ("Rochelle No. 3"), was completed on June 11, 1999, in the Rochelle Sandstone.

3. The Upper Rochelle in the Rochelle No. 3 was perforated and tested during May of 2000, and its maximum tested rate in the Upper Rochelle was 5 MMCF/D.
4. Evidence from simultaneous pressure tests indicates that the Rochelle No. 3 is entitled to be considered as the discovery well for a new field as it is not in pressure communication with the discovery well for any currently designated Upper Rochelle Field.
 - a. The only designated field producing from the Upper Rochelle within 2-1/2 miles of the Rochelle No. 3 is the Dry Hollow (Upper Rochelle) Field.
 - b. The discovery well for the Dry Hollow (Upper Rochelle) Field, the Rochelle Lease Well No. 1, was perforated from 13,780 to 13,842 feet, and tested at a rate of 1571 MCF per day on November 24, 1998.
 - c. The initial bottomhole pressure in the Upper Rochelle in the Rochelle Lease Well No. 1 was 12,279 psi, but by May of 2000, the bottomhole pressure had decreased to 3026 psi.
 - d. During May of 2000, the build-up bottom-hole pressure in the Upper Rochelle of the Rochelle No. 3 was measured at 6889 psi.
5. In addition to the discovery well, two Coastal Oil & Gas ("Coastal") wells have been prorated in the Dry Hollow (Upper Rochelle) Field, but either or both may have been the first well to produce from the same Upper Rochelle reservoir as the Rochelle Well No. 3.
 - a. The O.A. Lampley Well No. 5 was completed in the Upper Rochelle on January 11, 1999, and the Upper Rochelle was then commingled with the Dry Hollow (Rochelle Sand) Field in January of 2000.
 - b. The O.A. Lampley GU 1 Well No. 10U was completed in the Upper Rochelle in July of 1999, and it has been granted a Rule 10 exception though Commission records do not show that it has been downhole commingled yet.
6. The current bottomhole pressures of both Coastal wells are unknown so it is not possible now to determine whether the Upper Rochelle completion in either of these wells should be in the new field.
7. After downhole commingling in the Coastal wells is complete, only the Rochelle No. 1 will be prorated in the Dry Hollow (Upper Rochelle) Field, and there will be no wells prorated in the Dry Hollow, NW (Upper Rochelle) Field.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The Upper Rochelle sand in the Wynn-Crosby Rochelle Lease Well No. 3 is entitled to be considered a new field discovery well as it is not in the same reservoir as the only designated Upper Rochelle field within 2-1/2 miles.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Wynn-Crosby Energy, Inc., Rochelle Lease Well No. 3 be considered the discovery well for a new field to be known as the Dry Hollow, NW (Upper Rochelle) Field.

Respectfully submitted,

Mark Tittel
Hearings Examiner

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: September 25, 2000

EXHIBITS

1. Denial letter
2. New field designation application
3. Proration schedule
4. Map
5. List of wells within 2-1/2 miles and their perforations
6. New field approval for Dry Hollow (Upper Rochelle) Field
7. Form G-1 for Rochelle 1
8. Form G-1 for O.A. Lampley No. 5
9. Form G-1 for Rochelle No. 3 in Rochelle Sand Field
10. Form P-7 from 7/3/00
11. New field application for the Rochelle No. 3 as mailed to offsets July 3, 2000
12. Cross section

Late-filed exhibits

13. Form P-7 for Rochelle No. 3 for Dry Hollow, NW (Upper Rochelle) Field
14. Daily well reports for May 3-6 for Rochelle No. 3
15. Plat for Rochelle No. 3