

January 25, 2002

OIL AND GAS DOCKET NO. 02-0230285

THE APPLICATION OF UNION OIL COMPANY OF CALIFORNIA FOR NEW FIELD AND OPERATING RULES IN THE MATAGORDA BAY (BOL MEX) FIELD, CALHOUN COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: December 21, 2001

Hearing held: January 22, 2002

Appearances

Dale Miller	Representing	Union Oil Company of California
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EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Union Oil Company of California is seeking to have its Aquamarine Unit Well No. 1 designated as the discovery well for the proposed new field of Matagorda Bay (Bol Mex) Field. The rules proposed for the new field are summarized as follows:

1. Top of the designated interval at 9,030 feet and base at 11,450 feet (TVD) as shown on the log of the Union Oil Company of California Aquamarine Unit (originally Cockrell Oil Corporation State Tract #150 Lease) Well No. 1; and
2. Allocation based 95% on deliverability and 5% per well.

DISCUSSION OF THE EVIDENCE

The Aquamarine Unit Well No. 1 was originally drilled by Cockrell Oil Corporation in October, 1999, and was shut-in pending further evaluation. It was acquired by Union Oil Company of California who decided to complete the well in November of 2001.

There were two unsuccessful wells drilled to this depth one to one and a half miles to the east, but no other wells within 2-1/2 miles penetrated this depth. The nearest producing well is 12,800 feet southeast of the Ultramarine Unit Well No. 1, but it produces from 4900 feet.

The discovery well was perforated from 9900 to 9908 feet, measured depth (9694 to 9701 feet true vertical depth), and tested at a top rate of 3899 MCF/D on November 13, 2001. The initial bottomhole pressure was 7500 psi and cumulative production from the discovery well has been 214 MMCF and 6900 BC. There are additional sands below the perforations, down to a depth of 11,450

feet (TVD), that may be productive in this well.

The recovery from geo-pressured reservoirs is often less than predicted due to the collapse of the formation once the pressure is released. This well's current completion is barely economic and poorer sands will not be perforated unless they can be downhole commingled. Allowing less productive intervals to be produced at the same time as more productive intervals will lower the economic limit of production from each separate stringer and promote further development. The applicant is actively drilling in the area.

Because the proposed designated interval includes multiple reservoirs not in communication, a two-factor allocation formula is required for statutory reasons. The allocation formula proposed is close to the Statewide allocation formula. The applicant is not requesting any changes to the Statewide rules for spacing and density.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the proposed Matagorda Bay (Bol Mex) Field and to all offset operators to the discovery tract on September 10, 1999.
2. The discovery well was drilled in October of 1999 as the Cockrell Oil Corporation State Tract #150 Lease, Well No. 1, but was not completed until purchased by Union Oil Company of California.
3. Perforations between 9900 and 9908 feet, measured depth (9,694 to 9,701 feet, true vertical depth) were tested at a top producing rate of 3899 MCF/D, on November 13, 2001, with bottomhole pressure of 7500 psi.
4. The well was renamed the Ultramarine Unit No. 1 and has produced 214 MMCF and 6900 BC.
5. Only two wells, within 2-1/2 miles of the Ultramarine Unit Well No. 1, have penetrated this depth and neither were successful.
6. There are sandstones between 9030 and 11,450 feet, true vertical depth, that are possibly productive in the Ultramarine No. 1.
7. Allowing smaller producing sands to be downhole commingled will encourage further drilling, in this very expensive offshore area.
8. A field whose designated interval includes multiple, non-connected reservoirs is required by statute to have a two-factor allocation formula.
9. The proposed allocation formula, based 95% on deliverability and 5% per well, is close to the Statewide allocation formula.

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 requested new field designation will protect correlative rights and foster conservation.
4. The requested field rules will prevent waste, protect correlative rights within the field, and promote orderly development of the reservoirs.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the proposed new field be designated as the Matagorda Bay (Bol Mex) Field and the requested field rules for the new field be approved, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: February 5, 2002