

November 18, 1999

**OIL AND GAS DOCKET NO. 03-0223007**

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**THE APPLICATION OF ASPECT RESOURCES LLC FOR NEW FIELD DESIGNATION AND TWO FACTOR ALLOCATION FORMULA FOR (PROPOSED) SUGAR VALLEY (FRIO 9,000) FIELD, MATAGORDA COUNTY, TEXAS**

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**Heard by:** Margaret Allen, Technical Hearings Examiner

**Procedural history**

Application received: October 21, 1999

Hearing held: November 17, 1999

**Appearances**

	Representing
Rick Johnston	Aspect Resources LLC

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Aspect Resources LLC is seeking to have its Pierce Estate Lease Well No. 2 designated as the discovery well for a field to be known as Sugar Valley (Frio 9,000) Field. Because the field contains multiple lenticular reservoirs a two factor allocation formula is necessary. Aspect is proposing the following rules:

1. Designated interval from 8884 to 9074 feet as shown on the log of the Aspect Resources Pierce Estate Lease Well No. 2;
2. Allocation based 5% per well and 95% on deliverability

**DISCUSSION OF THE EVIDENCE**

The Pierce Estate Lease Well No. 2 was drilled in April of 1999, and tested at a maximum rate of 1773 MCF/D, with bottom-hole pressure of 3955 psi. The well is surrounded by dry holes and there is no comparable production, at a similar depth, within a 2-1/2 mile radius. The Pierce Estate No. 2 is therefor the discovery well for a new field. This field is within a small block that is bounded by faults to the northeast, northwest and southwest. The reservoir dips to the southeast toward a gas/water contact.

Production from September, October and estimated for November totals 2700 BC and 166,500 MCF. A field designation has not been assigned yet and the cumulative production for Well No. 2 is classified as over-production. The applicant requested that the overage be canceled in this one-well field. There is considerable water production (67 barrels per day during the initial production test) and shutting the well in to make up over-production may increase the water cut.

Well No. 2 is perforated from 8886 to 8890 feet, from 8997 to 9003 feet and from 9027 to 9031 feet. The electric/density log shows two sands, between 8886 and 9074 feet, that are separated by 10 to 15 feet of shale. Because there are two separate reservoirs within the proposed designated interval, a two-factor allocation formula is required by statute. One based 5% per well and 95% on deliverability is close to the Statewide allocation formula, while satisfying the statutory requirement.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all operators in the proposed Sugar Valley (Frio 9,000) Field and to all offset operators to the discovery tract on October 29, 1999.
2. The discovery well for the field, the Pierce Estate Well No. 2, was completed in April of 1999, in a previously unproduced reservoir.
3. There are no wells that have produced from a comparable interval within 2-1/2 miles of the Pierce Estate Well No. 2.
4. The productive Frio section in this field extends from 8886 feet to 9074 feet on the log of the discovery well in the field, and includes two sandstones separated by 10 to 15 feet of shale.
5. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
6. The well has become over-produced by about 166,500 MCF and 2700 BC, because there has been no allowable assigned in the Wildcat Field.
7. The well produces large amounts of water and shutting the well in to make up over-production may cause waste by increasing the water cut.

### **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 Aspect Resources Pierce Estate Lease Well No. 2 is entitled to be considered a new field discovery well as it produces from a reservoir that has not been produced before.
4. The requested field rules will prevent waste, protect correlative rights within the field, and satisfy statutory requirements.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the Aspect Resources Pierce Estate Lease Well No. 2 be consider the discovery well for a new field and that the requested field rules for the newly-designated Sugar Valley (Frio 9,000) Field be approved.

Respectfully submitted,

Margaret Allen  
Technical Hearings Examiner

Date of Commission Action: December 21, 1999

Exhibits

1. New field denial letter
2. Form P-7 and attachments
3. Forms G-1
4. Form P-2 for September
5. Production history