

May 10, 2000

OIL AND GAS DOCKET NO. 03-0224545

THE APPLICATION OF JAMEX, INC., FOR NEW FIELD DESIGNATION AND TWO FACTOR ALLOCATION FORMULA FOR (PROPOSED) ZIMMERSCHEIDT (WILCOX) FIELD, COLORADO COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: April 7, 2000

Hearing held: May 10, 2000

Appearances

Jerry Watkins

Representing
JameX, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

JameX is seeking to have its Frensley Unit Well No. 1 designated as the discovery well for a field to be known as Zimmerscheidt (Wilcox) Field. Because the field contains multiple lenticular reservoirs a two factor allocation formula is necessary. JameX is proposing the following rules:

1. Designated interval from 6992 to 11,200 feet as shown on the log of the JameX Frensley Unit Well No. 1;
2. Allocation based 5% per well and 95% on deliverability

DISCUSSION OF THE EVIDENCE

The Frensley Unit Well No. 1 was drilled in January of 2000, and was tested at a maximum rate of 2092 MCF/D, with bottom-hole pressure of 4755 psi. There are several other Wilcox fields within a 2-1/2 mile radius but the wells in these fields are separated from the Frensley No. 1. About two miles to the southeast of the Frensley No. 1 are various Paul Wilcox fields that are separated from the proposed new field by a fault. There is another fault and a dry hole to the northwest of the Frensley No. 1, separating it from various Frelsburg Wilcox fields. Northeast of the proposed new field are wells that were once assigned to various Bernardo Ranch Wilcox fields, but none of these wells are still active.

Cumulative production from the discovery well since January, 2000, has been 77 MMCF of gas and 3215 barrels of condensate. The applicant has completed the Bogatto Well No. 1 about 4000 feet northwest of the Frensley Unit No. 1. This well is perforated in a Wilcox section below the perforations in the Frensley No. and encountered about 5000 psi of bottom-hole pressure. This well will be placed in the proposed new field if the proposed designated interval is adopted. The applicant is also drilling a well on its Leyendecker Lease, 2000 feet southwest of the Frensley No. 1 which it expects will also be completed in the proposed new field.

The Frensley Well No. 1 is perforated from 10,654 to 10,852 feet. Although only this lower sand in the Wilcox interval is now producing, the applicant believes that there are other productive sands in the upper portion of the Wilcox. The Wilcox Formation in the Frensley No. 1 contains numerous lenticular sands with very low permeability. Gas produce from these sandstones contains CO₂ which corrodes well casing. Some of the inactive Wilcox wellbores in surrounding fields were prematurely abandoned, due to casing failure, before all of the uphole sandstones could be produced. Consolidating the entire Wilcox interval in the proposed new field will allow operators to produce the gas from all of the Wilcox reservoirs together. This will reduce the time it will take to deplete the Wilcox sandstones, and the increased velocity from larger amounts of gas will help lift produced liquids.

The Wilcox Formation extends from 6992 to 11,200 feet, and the operator wants the entire interval designated as a single field. Because of the numerous reservoir sands 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 for two factors.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the proposed Zimmerscheidt (Wilcox) Field and to all offset operators to the discovery tract on April 18, 2000.
2. The discovery well for the field, the Frensley Unit Well No. 1, was completed in January of 2000, in a previously unproduced reservoir.
3. Wells that have produced from a comparable interval within 2-1/2 miles of the Frensley Unit Well No. 1 are separated from this well by faults and/or dry holes, or are now depleted.
4. The Wilcox Formation in the proposed new field extends from 6992 feet to 11,200 feet as shown on the log of the discovery well, and includes numerous lenticular sandstones within it.
5. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
6. The applicant has completed one additional well in the proposed new field and is now

drilling a third well.

7. Both the discovery well and the second well in the proposed new field encountered virgin pressure.
8. Wilcox gas is corrosive and operators have not always been able to produce upper Wilcox sandstone reservoirs because the casing failed before these upper reservoirs could be completed in order.

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 Jamex Frensley Unit Well No. 1 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 designated interval and allocation formula 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 Jamex Frensley Lease Well No. 1 be considered the discovery well for a new field and that the requested allocation formula for the newly-designated Zimmerscheidt (Wilcox) Field be approved.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: May 23, 2000