

October 16, 2000

OIL AND GAS DOCKET NO. 03-0226068

THE APPLICATION OF PROLITHIC ENERGY COMPANY FOR NEW FIELD DESIGNATION AND OPERATING RULES FOR (PROPOSED) HALFLUNG (BIG GAS SAND) FIELD, GALVESTON COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: July 24, 2000

Hearing held: October 9, 2000

Appearances

Bill Spencer

Representing
Prolithic Energy Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Prolithic Energy is seeking to have its State Tract 233 Lease Well No. 1 designated as the discovery well for a field to be known as Halflung (Big Gas Sand) Field. Prolithic is proposing the following rules:

1. Designated interval from 9356 to 9438 feet as shown on the log of the Prolithic Energy Company State Tract 233 Lease Well No. 1; and
2. allocation based 5% per well and 95% on deliverability.

DISCUSSION OF THE EVIDENCE

The State Tract 233 Lease Well No. 1 was completed in what Prolithic refers to as the Big Gas Sand on April 19, 2000. Two separate sands were perforated: from 9356 to 9370 feet and from 9427 to 9438 feet. These perforations were tested April 19, 2000, at a maximum producing rate of 1328 MCF/D. The static bottom-hole pressure was 4727 psi, indicating a typical virgin-pressure gradient for this area. There has been no stimulation on this well yet and the applicant is hopeful that production may be increased.

These reservoirs in the State Tract 233 Well No. 1 are located on a southeast-dipping fault block on the upthrown side of a southwest-northeast trending splinter fault. There are numerous other major faults in the area. The only other well completed in this fault block, as contoured on the top of the Big Gas Sand, is the Sun Oil Company State Tract 233 Well No. 1. This well was drilled to 10,804 feet, deep enough to penetrate the Big Gas Sand. It is downdip from Prolithic's well and was perforated only from 4913 to 4915 feet, before being abandoned.

The top of the perforated interval at 9356 feet is the top of the requested designated interval for the proposed Halflung (Big Gas Sand) Field and the base of the perforated interval at 9438 feet is the base of the requested designated interval. The two perforated sands are separated by shaly and silty beds and are apparently separate reservoirs. Statutes require a two-factor allocation formula for fields with multiple reservoirs. The requested two-factor formula, based 5% per well and 95% on deliverability, is close to the Statewide allocation formula.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the proposed Halflung (Big Gas Sand) Field and to all offset operators to the discovery tract on June 30, 2000.
2. The discovery well for the proposed Halflung (Big Gas Sand) Field, the State Tract 233 Lease Well No. 1, was completed in the Big Gas Sand on April 19, 2000.
3. The State Tract 233 No. 1 is surrounded by plugged and dry holes.
4. The only other well in the same fault block was drilled deep enough to test the Big Gas Sand but was perforated between 4913 and 4915 feet only before being plugged and abandoned.
5. The State Tract No. 1 was perforated between 9356 and 9370 feet and between 9427 and 9438 feet, and tested at a rate of 1328 MCF per day.
6. The initial static bottom-hole pressure in the Big Gas Sand in the State Tract Well No. 1 was 4712 psi, indicating a typical virgin-pressure gradient for this area.
7. The designated interval in the proposed new field extends from 9356 feet to 9438 feet as shown on the log of the discovery well.
8. Because of the multiple reservoirs within the designated interval, a two-factor allocation formula is required for statutory reasons.
9. Allocation based 5% per well and 95% on deliverability is close to the Statewide Rule allocation formula and will protect correlative rights.

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 State Tract 233 Lease Well No. 1, in the Big Gas Sand, 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 satisfy statutory requirements and protect correlative rights within the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Prolithic Energy State Tract 233 Lease Well No. 1, be considered the discovery well for a new field and that the requested rules for the newly-designated Halflung (Big Gas Sand) Field be approved.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: October 25, 2000

Exhibits

1. FormP-7
2. Map
3. Log
4. Form G-1
5. Map symbol key
6. Map of 2-1/2 mile radius
7. Data sheet for wells within 2-1/2 miles