
THE APPLICATION OF SMITH PRODUCTION, INC., FOR NEW FIELD DESIGNATION AND TWO FACTOR ALLOCATION FORMULA FOR (PROPOSED) RAYWOOD (YEGUA 10400) FIELD, LIBERTY COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: June 5, 2001

Hearing held: July 27, 2001

Appearances

David Mitchell

Representing

Smith Production, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Smith Production is seeking to have its Mrs. Elizabeth Morris et al Lease Well No. 10, in a Yegua sand between 10,171 and 10,524 feet, designated as the discovery well for a field to be known as Raywood (Yegua 10400) Field. Because the proposed field interval contains multiple lenticular reservoirs a two-factor allocation formula is necessary. Smith is proposing the following rules:

1. Designated interval from 10,171 to 10,524 feet as shown on the log of the Smith Production Mrs. Elizabeth Morris et al Lease Well No. 10; and
2. allocation based 5% per well and 95% on deliverability

DISCUSSION OF THE EVIDENCE

Smith Production recompleted its Mrs. Elizabeth Morris et al Lease Well No. 10 from the Raywood (Yegua 10,700) Field on March 6, 2001. The well was perforated from 10,170 to 10,186 feet; from 10,388 to 10,406 feet; and from 10,510 to 10, 524 feet in three separate sandstones within the Yegua Formation.

The maximum tested rate on initial completion was 105 MCF per day at a bottomhole pressure of 4329 psi. After fracture stimulation the well's deliverability is only 3 BCPD and less than 300 MCF/D. The field produces within a fault sliver just south of a major down-to-the coast fault. This is the only well likely to be completed in these sands in this fault block. However, there is considerable drilling activity in the area and these shallower Yegua sandstones may be tested again.

Because of the separate reservoirs between 10,170 feet and 10,524 feet in the Mrs. Elizabeth Morris et al Lease Well No. 10, 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 Raywood (Yegua 10400) Field and to all offset operators to the discovery tract on July 9, 2001.
2. The discovery well for the proposed Raywood (Yegua 10400) Field, the Mrs. Elizabeth Morris et al Lease Well No. 10, was recompleted on March 6, 2001.
3. The Mrs. Elizabeth Morris et al Lease Well No. 10 was perforated from 10,170 to 10,186 feet; from 10,388 to 10,406 feet, and from 10,510 to 10,524 feet in three separate sandstones within the Yegua Formation.
4. This is the first well completed in these specific Yegua sandstones in this fault block, but there are many Yegua and Cook Mountain fields in the area.
5. The maximum tested rate on initial completion was 105 MCF per day at a bottomhole pressure of 4329 psi.
6. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.

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 Mrs. Elizabeth Morris et al Lease Well No. 10, between 10,170 and 10,524 feet, is entitled to be considered a new field discovery well as it produces from reservoir that have 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 Smith Production Mrs. Elizabeth Morris et al Lease Well No. 10, between 10,170 and 10,524 feet, be considered the discovery well for a new field and that the requested rules for the newly-designated Raywood (Yegua 10400) Field be approved.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: August 21, 2001