

April 11, 2002

OIL AND GAS DOCKET NO. 03-0230922

THE APPLICATION OF WESTECH ENERGY CORPORATION FOR NEW FIELD DESIGNATION AND TWO FACTOR ALLOCATION FORMULA FOR (PROPOSED) BEASLEY NORTH (UPPER WILCOX) FIELD, FORT BEND COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: March 18, 2002

Hearing held: April 8, 2002

Appearances

Greg Cloud
Representing
Westech Energy Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Westech Energy is seeking to have its Edwin Stade Lease Well No. 1 designated as the discovery well for a new field. The applicant originally requested the name Beasley North (Upper Wilcox) but that name has already been applied to one of Westech's discoveries. At the hearing Westech requested this new field be known as Beasley North (Wilcox 13400) Field. Because the field contains multiple lenticular reservoirs a two factor allocation formula is necessary. Westech is proposing the following rules:

1. Designated interval from 13,403 to 13,471 feet as shown on the log of the Westech Energy Edwin Stade Lease Well No. 1; and
2. Allocation based 25% per well and 75% on deliverability

DISCUSSION OF THE EVIDENCE

The Edwin Stade Lease Well No. 1 was drilled in November of 2001, and tested at a maximum rate of 1000 MCF/D, with bottom-hole pressure of 10,052 psi. The only other deep well in this part of Fort Bend County is Westech's Paul Cortez Lease Well No. 1, though there are numerous shallow wells within 2-1/2 miles. The Cortez No. 1 is about 2000 feet north of the Edwin Stade No. 1 and was the discovery well for the Beasley, N. (Upper Wilcox) Field in 2000. The Cortez No. 1 was perforated from 12,592 to 12,670 feet, in a shallower section of the upper Wilcox than the Stade No. 1.

The Stade Well No. 1 is perforated from 13,408 to 13,412 feet and from 13,460 to 13,464 feet. The gamma ray log shows two sands, between 13,403 and 13,471 feet, that are separated by 45 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 25% per well and 75% on deliverability is close to

the Statewide allocation formula, while satisfying the statutory requirement.

Production from November, 2001 through February, 2002, totals 232 BC and 30 MMCF. A field designation has not been assigned yet and the cumulative production for Well No. 1 is classified as over-production. The applicant requested that the overage be canceled in this one-well field.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the proposed Beasley North (Wilcox 13400) Field and to all offset operators to the discovery tract on March 22, 2002.
2. The discovery well for the field, the Edwin Stade Well No. 1, was completed in November of 2001, in a previously unproduced reservoir.
3. There are no wells that have produced from a comparable interval within 2-1/2 miles of the Edwin Stade Well No. 1.
4. The productive Wilcox section in this field extends from 13,403 to 13,471 feet on the log of the discovery well in the field, and includes two sandstones separated by 45 feet of shale.
5. Allocation based 25% per well and 75% on deliverability will protect correlative rights and satisfy statutory requirements.
6. The well has become over-produced by about 30 MMCF, because there has been no allowable assigned in the Wildcat Field.
7. Cancellation of the over-production will not violate correlative rights in this one-well field.

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 Westech Energy Edwin Stade Lease 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 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 Westech Energy Edwin Stade Lease Well No. 1 be considered the discovery well for a new field and that the

requested field rules for the newly-designated Beasley, N. (Wilcox 13400) Field be approved.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: April 22, 2002