

OIL AND GAS DOCKET NO. 03-0228057

THE APPLICATION OF ETOCO, INC. FOR NEW FIELD DESIGNATION, TEMPORARY FIELD RULES, MER AND FIELD BALANCING IN THE PROPOSED SRALLA ROAD (YEGUA) FIELD, HARRIS COUNTY, TEXAS

Heard by: Donna K. Chandler, Technical Examiner

Hearing Date: May 18, 2001

Appearances:

Representing:

Jim Bostic
Terry Payne
Walter Cochran

Etoco Inc.

Tom Weber
John Sprowls

BP Amoco

John Soule

Columbus Energy Corp; Key Energy of Colorado; Key Production

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Etoco, Inc. requests that a new field designation called the Sralla Road (Yegua) Field be approved for its State of Texas Deep Unit No. 1. Etoco also requests that the following field rules be adopted for the field and that all accumulated overproduction for the State of Texas Deep Unit No. 1 be canceled.

1. Designation of the field as the correlative interval from 10,367 feet (MD) to 10,411 feet (MD) feet as shown on the log of the State of Texas Deep Unit No. 1;
2. 467'-1,320' well spacing;
3. 320 acre units with 160 acre tolerance and a maximum diagonal of 6,500 feet;
4. 100% acreage allocation with an MER of 1,500 BOPD;
5. Permissible gas-oil ratio of 6,000 cubic feet per barrel.

This application was unopposed and the examiner recommends approval of the new field designation, temporary field rules and cancellation of overproduction for the Sralla Road (Yegua) Field.

DISCUSSION OF THE EVIDENCE

Etoco Inc. completed its State of Texas Deep Unit No. 1 in February 2001. On initial test, the well produced 1,093 BOPD and 2,631 MCFD from perforations between 10,370 (MD) and 10,404 feet (MD). The well is a natural completion and the latest producing rate was 1,580 BOPD and 3,416 MCFD, flowing through an 18/64" choke. Cumulative production from the well is almost 49,000 BO and 115 MMCF of gas through May 16, 2001.

There are fifty wellbores within a 2 ½ mile radius of the State of Texas Deep Unit No. 1. Only nine wells within this radius have perforations deeper than 9,673 feet (200 feet shallower than the TVD of the shallowest perforation in the No. 1. The nearest comparable production to the EY-2 Sand producing in the State of Texas Deep Unit No. 1 was from the Channelview, North (10,000) Field in the R. Weiss No. 2 approximately 7,500 feet to the southwest. This well produced gas from the EY-4 Sand. The nearest well which penetrated the EY-2 is the R. Weiss No. 1B approximately 4,500 feet to the southwest. The No. 1B is fault separated from the State of Texas Deep Unit No. 1; the EY-2 is structurally higher in the R. Weiss No. 1B but was wet.

The initial reservoir pressure was 8,019 psia in the discovery well. The bubblepoint pressure in the reservoir is 5,597 psia. The reservoir is a volatile oil reservoir with an initial solution gas-oil ratio of 5,895 cubic feet/barrel and an initial oil formation volume factor of 3.92 reservoir barrels/stock tank barrel. A gas-oil ratio rule providing for 6,000 cubic feet per barrel is necessary to prevent penalized allowables.

Average porosity of the reservoir is 31% , average water saturation is 33% and net pay thickness is 34 feet. The average permeability of the reservoir is 244 md. as determined from a pressure buildup test. Original oil in place beneath 320 acres is estimated to be 4.4 million BO and original gas in place beneath 320 acres is 26.4 BCF.

The yardstick allowable for 320 acres at this depth is 942 BOPD. Etoco tested the subject well at rates between approximately 1,000 BOPD and 1,500 BOPD. The producing gas-oil ratio was constant at 2,400-2,500 cubic feet per barrel. There is no water production.

Because of returned notices, Etoco published the Notice of Hearing in *The Houston Press*, a newspaper of general circulation in Harris, Montgomery, Galveston and Ft. Bend Counties, on April 19, 26, May 3 and May 10, 2001.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing. No protests were received.
2. Notice of hearing was published in *The Houston Press*, a newspaper of general circulation in Harris, Montgomery, Galveston and Ft. Bend Counties, on April 19, 26, May 3 and May 10, 2001.
3. Etoco Inc. completed the State of Texas Deep Unit No. 1 in February 2001 with an initial potential of 1,093 BOD and 2,631 MCFD from Yegua perforations between 10,370 feet (MD) and 10,404 feet (MD).
4. The State of Texas Deep Unit No. 1 is entitled to a new field designation in the Yegua.
 - a. The well had virgin pressure of 8,019 psia.
 - b. There is no other production from the Yegua EY-2 within 2 ½ miles of the State of Texas Deep Unit No. 1.
 - c. The State of Texas Deep Unit No. 1 is fault separated from the nearest well which penetrated the Yegua EY-2.
5. Temporary rules providing for 320 acre density are appropriate for the subject field.
 - a. Original oil in place beneath 320 acres is 4.5 million BO.
 - b. The State of Texas Deep Unit No. 1 is capable of producing at rates in excess of 1,500 BOPD.
 - c. The State of Texas Deep Unit No. 1 has produced almost 50,000 BO in less than three months.
6. A gas-oil ratio rule providing for 6,000 cubic feet per barrel is appropriate for this field because the solution gas-oil ratio is 5,895 cubic feet per barrel.
7. The producing gas-oil ratio is constant at approximately 2,500 cubic feet per barrel when the producing rate is varied between 1,100 and 1,500 BOPD.
8. The well has accumulated overproduction as a result of testing because the well has not yet been assigned an allowable.

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. Approval of the new field designation and adoption of temporary field rules is necessary to prevent waste, protect correlative rights, and promote orderly development of the field.
4. Cancellation of overproduction will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that a new field designation be approved called the Sralla Road (Yegua) Field and that field rules be adopted for the field as proposed by Etoco. The examiner further recommends that all overproduction for the State of Texas Deep Unit No. 1 be canceled.

Respectfully submitted,

Donna Chandler
Technical Examiner