

OIL AND GAS DOCKET NO. 03-0250636

THE APPLICATION OF HALL-HOUSTON EXPL. II, L.P. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) GALVESTON 310-L (MIOCENE) FIELD, OFFSHORE BRAZORIA COUNTY, TEXAS

Heard by: Donna K. Chandler on March 5, 2007

Appearances:

John Camp
Tim Smith

Representing:

Hall-Houston Expl. II, L.P.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Hall-Houston Expl. II, L.P. requests that a new field designation called the Galveston 310-L (Miocene) Field be approved for its S.T. 310-L N/2 NE/4 Lease well No. 3. Hall-Houston also requests that the following rules be adopted for the Galveston 310-L (Miocene) Field:

1. Designation of the field as the correlative interval from 7,100 feet (TVD) to 7,420 feet (TVD) as shown on the log of the S.T. 310-L N/2 NE/4 Lease well No. 3;
2. Allocation based on 95% deliverability and 5% per well.

There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

DISCUSSION OF EVIDENCE

The S.T. 310-L N/2 NE/4 Lease well No. 3 was drilled in December 2006 to a total depth of 7,834 feet. The well encountered three separate Miocene sands between 7,100 feet (TVD) and 7,420 feet (TVD). The lower sand, identified as the 7700 sand was perforated and tested at a rate of about 2,000 MCFD. The other two sands, known as the 7,500 sand and the 7,600 sand, have not been perforated.

Based on log calculations and pressures, reserves in the 7,500 sand are estimated to be only 81 MMCF and reserves in the 7,600 sand are estimated to be 296 MMCF. The 7,700 sand has reserves of 1,930 MMCF. The uppermost sand would not be economic as a separate completion and the middle sand would be only marginally economic as a separate completion. Hall-Houston expects that an additional 400 MMCF of gas will be recovered from the three zones as a result of consolidating the zones into a single field.

The new field designation should be approved for the S. T. 310-L N/2 NE/4 Well No. 3. There are no wells within a 2½ mile radius of the No. 3 well which have produced from the fault block in which the three sands are found. The nearest comparable depth production is over six miles to the northeast. All three sands encountered virgin pressure.

Hall-Houston requests that the entire correlative interval between 7,100 feet (TVD) and 7,420 feet (TVD) in the S. T. 310-L N/2 NE/4 No. 3 be considered a single field known as the Galveston 310-L (Miocene) Field. The three sands have similar reservoir properties and are all Miocene age.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Hall-Houston requests that allocation be based on 95% deliverability and 5% per well for the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice.
2. The S. T. 310-L No. 3 was drilled to a total depth of 7,834 feet. The well encountered three productive Miocene sands between 7,100 feet (TVD) and 7,420 feet (TVD). Only the deepest sand, at approximately 7,390 feet (TVD) has been perforated and tested.
3. One of the sands within the proposed correlative interval would not be economic as a separate completion, with reserves of only 81 MMCF. Another of the three sands would be only marginally economic, with reserves estimated to be 296 MMCF.
4. The S. T. 310-L N/2 NE/4 Lease Well No. 3 is entitled to a new field designation because there is no comparable production from any of the sands within the proposed correlative interval within a 2½ mile radius of the well.
5. The entire correlative interval from 7,100 feet (TVD) to 7,420 feet (TVD) as shown on the log of the S. T. 310-L N/2 NE/4 Lease Well No. 3 should be designated as the Galveston 310-L (Miocene) Field.

6. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the Galveston 310-L (Miocene) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner