OIL AND GAS DOCKET NO. 03-0254503

THE APPLICATION OF CYPRESS E & P CORPORATION TO CONSIDER NEW FIELD DESIGNATION AND A TWO FACTOR ALLOCATION FORMULA FOR THE (PROPOSED) CYPRESS EAGLE (WILCOX) FIELD, WHARTON COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on December 11, 2007

Appearances:	**Representing:**
George C. Neale	Cypress E & P Corporation
Rick Johnston	

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cypress E & P Corporation requests that a new field designation called the Cypress Eagle (Wilcox) Field be approved for its F. B. Duncan Well No. 1. Cypress also requests that the following rules be adopted for the Cypress Eagle (Wilcox) Field:

1. Designation of the field as the correlative interval from 9,963 feet to 15,665 feet as shown on the log of the F. B. Duncan No. 1;

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

Cypress E & P Corporation completed its F. B. Duncan No. 1 in October 2007. The well was originally completed with three sets of perforations in the Wilcox X between 15,099 feet and 15,578 feet. On initial test, the well produced at a rate of 505 MCFD dry gas with a flowing tubing pressure of 3,205 psi. A bridge plug was set above the perforations in the Wilcox X sand and the well was perforated in the Wilcox H sand at 11,790 to 11,820 feet. The well flowed 10 MMCFD gas with a flowing tubing pressure of 7,000 psi. The well required large fracture stimulations at each set of perforations to produce the well.

The new field designation should be approved for the F. B. Duncan No. 1. The nearest production is approximately .25 miles to the southeast in the Benard, W. (Yegua 7200) Field at a depth of 7,172 feet. There is comparable production within a 2 ½ mile radius of the No. 1 well in the Bob Alexander (Massive Wilcox) field at a depth of 14,819 feet, however, the two fields are separated by a growth fault with a 500 foot displacement. Additionally, the F. B. Duncan No. 1 encountered virgin over pressure of over 7,000 psig at a depth of 11,790 feet.

Cypress requests that the entire correlative interval between 9,963 feet to 15,665 feet in the F. B. Duncan No. 1 be considered a single field. This interval includes several sands within the Wilcox. Separate completions in the intervals would not be commercial.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Cypress 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 at least ten days prior to the date of hearing.

2. Cypress E & P Corporation completed its F. B. Duncan Well No. 1 in October 2007 with three sets of perforations in the Wilcox X between 15,099 feet and 15,578 feet. On initial test, the well produced at a rate of 505 MCFD dry gas.

3. The F. B. Duncan No.1 is entitled to a new field designation because there is a fault separating comparable production within a 2½ mile radius of the subject well.

4. The entire correlative interval from 9,963 feet to 15,665 feet as shown on the Gamma Ray Log of the F. B. Duncan Well No. 1 should be designated as the Cypress Eagle (Wilcox) Field.

5. 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 Cypress Eagle (Wilcox) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner