

OIL AND GAS DOCKET NO. 03-0255102

THE APPLICATION OF NATIONAL OFFSHORE LP FOR NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) UMBRELLA POINT (VX GYRO K) FIELD, CHAMBERS COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on February 8, 2008

Appearances:

David M. Klatt, P.E.

Representing:

National Offshore LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

National Offshore LP requests a new field designation called the Umbrella Point (Vx Gyro K) Field be approved for its State Tract 72 No. 1. National also requests that the following rules be adopted for the new field:

1. Designation of the Umbrella Point (Vx Gyro K) Field as the correlative interval from 12,377 feet to 12,569 feet as shown on the Schlumberger Computer Processed log of the State Tract 72 Well No. 1;
2. Allocation based on 95% W-10 potential and 5% per well.

Originally the applicant had requested a permanent gas well classification however, current data did not support the request therefore is no longer seeking such classification. There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

DISCUSSION OF EVIDENCE

National Offshore LP completed its State Tract 72 No. 1 in October 2006 with perforations into the Vicksburg Gyro K Formation between 12,377 and 12,559 feet. On initial test, the well flowed at a rate of 53 BOPD and 2,314 MCFD with a GOR of 43,660:1 on a 5/64" choke at 7,900 psi tubing pressure.

The new field designation should be approved for the subject well. There are 4 wells within a 2 ½ mile radius of the State Tract 72 No. 1 which are producing from an interval correlative to the Vicksburg Gyro K. These wells are either fault separated from the State Tract 72 No. 1 or are pinched out from National's well and are producing separate accumulations. Pressure data reveals that State Tract 72 No. 1 encountered virgin bottomhole pressures calculated between 10,993 psia and 11,114 psia or 0.9 psi/ft pressure gradient. The virgin pressure encountered further indicates the field has not been drained or depleted from any wells in the area. The nearest Vicksburg Gyro K production is 1.7 miles north from the State Tract 72 No. 1 in the Beach City (Vicksburg Gyro K) Field.

National Offshore requests that the entire correlative interval between 12,377 feet to 12,569 feet in the State Tract 72 No. 1 be considered a single field. This interval includes several separate accumulations of hydrocarbons and therefore a two factor allocation formula is required. National requests that allocation for wells in the field be based on 95% W-10 potential and 5% per well.

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. National Offshore LP completed its State Tract 72 No. 1 in October 2006 with perforations in the Vicksburg Gyro K between 12,377 and 12,559 feet.
3. The State Tract 72 No. 1 is entitled to a new field as there is no other comparable Vicksburg Gyro K production within 2 ½ miles of the State Tract 72 No. 1.
4. The entire correlative interval between 12,377 feet to 12,569 feet as shown on the Schlumberger Computer Processed log of the State Tract 72 Well No. 1 should be designated as the Umbrella Point (Vx Gyro K) Field.
5. The field interval includes separate accumulations of hydrocarbons and a two factor allocation formula is necessary to consider the interval as a single field. Allocation based on 95% W-10 potential and 5% per well meets statutory requirements.

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 Umbrella Point (Vx Gyro K) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner