

THE APPLICATION OF CENTURY EXPLORATION HOUSTON, INC. TO CONSIDER A NEW FIELD DESIGNATION, FIELD RULES AND MER IN THE (PROPOSED) ADAMS RANCH (YEGUA DY-2) FIELD, JASPER COUNTY, TEXAS

Heard by: Donna K. Chandler on November 19, 2008

Appearances:

George Neale
Rick Johnston
Ron Harvey
Chris Lipari

Representing:

Century Exploration Houston, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Century Exploration Houston, Inc. requests that a new field designation be approved for its Mil-Vid Prop, et al "A-152" Well No. 1 called the Adams Ranch (Yegua DY-2) Field. Century requests that the following temporary field rules be adopted for the Adams Ranch (Yegua DY-2) Field:

1. Designation of the field as the correlative interval from 9,865 feet (MD) to 9,915 feet (MD) as shown on the log of the Mil Vid Prop, et al "A-152" Well No. 1;
2. 933'-1,320' well spacing;
3. 160 acre oil units with 40 acre tolerance and a maximum diagonal of 4,500 feet;
4. Allocation based on 100% acreage.

Century also requests that its Mil-Vid Prop, et al "A-152" No. 1 well be assigned an MER allowable of 1,400 BOPD and that all overproduction for the well be canceled.

This application was unopposed and the examiner recommends approval of the new field designation, temporary field rules, and MER for the Mil-Vid Prop, et al "A-152" No. 1.

DISCUSSION OF EVIDENCE

Century Exploration Houston, Inc. completed its Mil-Vid Prop, et al "A-152" No. 1 in September 2008. The well produces from perforations between 9,870 and 9,902 feet. On initial test, the well produced at a rate of 435 BOPD, 386 MCFD and 0 BWPD.

The proposed correlative interval for the field is from 9,865 feet (MD) to 9,915 feet (MD) as shown on the log of the Mil-Vid Prop, et al "A-152" No. 1. This interval includes the entire DY-2 sand. There is no Yegua DY-2 production within a 2½ mile radius of the Mil-Vid Prop, et al "A-152" No. 1 and the well is therefore entitled to a new field designation. Three wells within the radius of review were drilled deep enough to penetrate the DY-2, but all three were dry holes.

From log analysis of the Mil-Vid Prop, et al "A-152" No. 1, Century estimates that average porosity of the DY-2 is 29.7% and average water saturation is 34%. Net pay is 30 feet. Century estimates that the well will ultimately recover at least 1 million BO, which results in a calculated drainage area of 142 acres for the well. Century will likely drill one additional well in the field.

The proposed 933'-1,320' well spacing is necessary to provide flexibility in locating an additional well in this reservoir, which is believed to have some water drive component. The field was discovered based on seismic and it will be important to place any other well near the top of the structural high.

During October and November, Century tested the well at various rates in support of its MER request. The results of the testing are summarized as follows:

<u>choke size</u>	<u>oil rate</u>	<u>gas rate</u>	<u>gas-oil ratio</u>
8/64"	483 BOPD	468 MCFD	969 cuft/bbl
10/64"	722 BOPD	689 MCFD	955 cuft/bbl
12/64"	1,029 BOPD	985 MCFD	958 cuft/bbl
14/64"	1,387 BOPD	1,355 MCFD	977 cuft/bbl

The well continues to produce water free and the testing demonstrates that the well is not rate sensitive. The well will be overproduced significantly by the time the field is built by Commission staff. Cumulative production from the well to date is approximately 50,000 BO.

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. The Mil-Vid Prop, et al "A-152" No. 1 was completed in September 2008 and is producing from perforations between 9,870 and 9,902 feet.
3. A new field designation is appropriate for the Mil-Vid Prop, et al "A-152" No. 1 because there is no comparable production within 2½ miles of the well.
4. Field rules providing for 160 density is appropriate for the new field.
 - a. Recoverable reserves beneath 160 acres are estimated to be 1.13 million BO.
 - b. The Mil-Vid Prop, et al "A-152" No. 1 is expected to produce at least 1 million BO.
5. The Adams Ranch (Yegua DY-2) Field should be defined as the correlative interval from 9,865 feet (MD) to 9,915 feet (MD) as shown on the log of the Mil-Vid Prop, et al "A-152" No. 1.
6. Well spacing a minimum of 933 feet from lease lines and 1,320 feet between wells will provide additional flexibility in locating wells at optimum structural locations.
7. Allocation based on 100% acreage is a reasonable formula which will protect correlative rights.
8. An MER of 1,400 BOPD for the Mil-Vid Prop, et al "A-152" No. 1 will not cause waste.
 - a. The well was tested at rates ranging from 483 BOPD to 1,387 BOPD.
 - b. The producing gas-oil ratio only varied between 950 and 1,000 cubic feet per barrel, regardless of rate.
 - c. The well produces water free.
9. The well has cumulative production of approximately 50,000 BO. Century requests that all overproduction be canceled.

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 temporary field rules will prevent waste, protect correlative rights and promote the orderly development of the field.
4. Approval of an MER of 1,400 BOPD and cancellation of overproduction for the Mil-Vid Prop, et al "A-152" No. 1 will not cause waste.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of temporary field rules for the Adams Ranch (Yegua DY-2) Field. It is also recommended that the Mil-Vid Prop, et al "A-152" No. 1 be assigned an MER of 1,400 BOPD.

Respectfully submitted,

Donna K. Chandler
Technical Examiner