

August 18, 2000

OIL AND GAS DOCKET NO. 04-0225480

APPLICATION OF COASTAL OIL & GAS CORPORATION TO CONSIDER A NEW FIELD DESIGNATION AND PERMANENT FIELD RULES FOR THE PROPOSED JEFFREES (VICKSBURG O) FIELD, HIDALGO COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: August 16, 2000

APPEARANCES:
Jim Cowden, attorney
Terry D. Payne

REPRESENTING:
Coastal Oil & Gas Corporation

PROTESTANT:
none

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unprotested application of Coastal Oil & Gas Corp. for a new field designation and adoption of field operating rules for the proposed Jeffress (Vicksburg O) Field. The following are proposed:

1. The entire combined correlative interval from 7,935' to 8,460' as shown on the Computer Processed Gamma Ray log of the Coastal Oil & Gas Corp., Regina Brann Lease Well No 9, Porcion 73 in the Antonio de los Santos Survey, A-71, Hidalgo County, Texas should be designated as the Jeffress (Vicksburg O) Field.
2. Minimum well spacing of 467'/933' (leaseline/between well);
3. 40 acre drilling unit density but no proration unit requirement; and
4. A two-factor allocation formula based on 95% deliverability and 5% per well.

DISCUSSION OF THE EVIDENCE

The proposed Jeffress (Vicksburg O) Field was discovered by completion of the Coastal Oil & Gas Corp., Regina Brann Lease Well No. 9 through selective perforations from 7,949' - 7,983' and

8,173' to 8,294' subsurface depth July 2, 2000. The well potentialed at 300 MCFD and a bottomhole pressure test of 6,300 psig (virgin pressure). A review was made of all wells (243) within 2.5 miles of the subject well that penetrated the equivalent stratigraphic interval. The closest comparable production is approximately two miles away in the Jeffress, E (Vicksburg O/P) Field. The depth interval for the wells located in the O/P reservoir is some 1,000' deeper from 9,066' to 9,362'. Well log analysis shows multiple faults in the area with two main sealing faults with sufficient throw to prevent pressure communication. The subject well was tested in the Vicksburg "Q" and Vicksburg "P" formations before being completed in the Vicksburg "O" Formation. It is proposed the entire combined correlative interval from 7,935' to 8,460' as shown on the Computer Processed Gamma Ray log of the Coastal Oil & Gas Corp., Regina Brann Lease Well No 9, Porcion 73 in the Antonio de los Santos Survey, A-71, Hidalgo County, Texas should be designated as the Jeffress (Vicksburg O) Field.

The Regina Brann Well No. 9 was placed on production July 2, 2000 at a rate of 637 MCF of gas per day. Cumulative production through August 4 is 22,593 MCF of gas. Coastal will later seek downhole commingling authority for the purpose of simultaneous production from several Vicksburg intervals. It is necessary to produce several Vicksburg sands together to make a well's production economical. Gas analysis and water analysis indicate wellbore "fluids" to be compatible.

Minimum well spacing of 467'/933' is proposed for drilling units as this will allow flexibility in locating wells in the subject field due to the faults. It is also warranted as this is a multiple productive zone area and this increased flexibility is needed for Rule 10 exceptions and plug backs. No proration unit density is proposed; however, drilling unit density of at least 40 acres is necessary for the orderly development of the field.

Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

FINDINGS OF FACT

Based on the evidence presented, the examiner proposes the following findings:

1. Notice of this hearing was sent to all affected persons in the subject area field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The proposed Jeffress (Vicksburg O) Field was discovered by completion of the Coastal Oil & Gas Corp., Regina Brann Lease Well No. 9 through selective perforations from 7,949' - 7,983' and 8,173' to 8,294' subsurface depth July 2, 2000.

4. A review was made of all wells within 2.5 miles of the subject well that penetrated the equivalent stratigraphic interval.
 - a. The closest comparable production is approximately two miles away in the Jeffress, E (Vicksburg O/P) Field. The depth interval for the wells located in the O/P reservoir is some 1,000' deeper from 9,066' to 9,362'.
 - b. Well log analysis shows multiple faults in the area with two main sealing faults with sufficient throw to prevent pressure communication.
5. The entire combined correlative interval from 7,935' to 8,460' as shown on the Computer Processed Gamma Ray log of the Coastal Oil & Gas Corp., Regina Brann Lease Well No 9, Porcion 73 in the Antonio de los Santos Survey, A-71, Hidalgo County, Texas should be designated as the Jeffress (Vicksburg O) Field.
6. Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Adoption of the proposed new field designation will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed new field designation and field rules for the proposed Jeffress (Vicksburg O) Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel