

January 8, 2001

OIL AND GAS DOCKET NO. 04-0226668

THE APPLICATION OF CAMDEN RESOURCES, INC., FOR NEW FIELD DESIGNATION AND TWO FACTOR ALLOCATION FORMULA FOR (PROPOSED) ROSITA (10,250) FIELD, DUVAL COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: November 9, 2000

Hearing held: January 8, 2001

Appearances

Greg Cloud

Representing
Camden Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Camden Resources is seeking to have its Cuellar Lease Well No. 1 designated as the discovery well for a field to be known as Rosita (10,250) Field. Because the field contains multiple lenticular reservoirs a two-factor allocation formula is necessary. Camden is proposing the following rules:

1. Designated interval from 10,250 to 10,458 feet as shown on the log of the Camden Resources, Inc., Cuellar Lease Well No. 1; and
2. allocation based 5% per well and 95% on deliverability.

DISCUSSION OF THE EVIDENCE

Camden completed its Cuellar Lease Well No. 1 as a gas well in September of 2000. The initial test rate of the well was 2757 MCF/D at a bottom-hole pressure of 7322 psi with a gas/liquid ratio of 56,708 cubic feet per barrel. The well has averaged 2910 MCF per day between the date of first sales on December 11, 2000, and January 2, 2001. The applicant testified that there have been pipeline problems and the well is capable of 3500 to 4000 MCF per day. The applicant requested that overproduction occurring prior to the approval of new field designation be canceled.

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The closest producing well is 1800 feet to the southeast, but that well is completed between 13,640 and 13,688 feet. The nearest well producing from a comparable depth is 12,000 feet to the southwest, where the La Venada (Herbst III) Field was productive between 10,100 and 10,119 feet. The only well ever completed in the La Venada (Herbst III) Field has since been recompleted to a different depth.

There were three sandstone sections perforated within the productive interval of the Wilcox Formation in the proposed field. The gross interval of these perforations extends from 10,250 to 10,458 feet in the Cuellar Well No. 1, while the productive sandstones extend from 10,242 to 10,470 feet. Because of the multiple reservoirs, a two-factor allocation formula is required by statute. One based 5% per well and 95% on deliverability will satisfy this statutory requirement.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the proposed Rosita (10,250) Field and to all offset operators to the discovery tract on November 21, 2000.
2. The discovery well for the proposed Rosita (10,250) Field, the Camden Resources Cuellar Lease Well No. 1, was completed in September of 2000.
3. The Cuellar No. 1 is perforated in the gross interval from 10,250 and 10,458 feet, in a section of productive Wilcox sandstones that extends from 10,242 to 10,470 feet.
4. The only well ever completed at a comparable depth within 2-1/2 miles is 12,000 feet to the southwest and it has since been recompleted to a different depth.
5. The initial bottom-hole pressure measured in the Cuellar Well No. 1 was 7322 psi, indicating virgin pressure.
6. A Form G-1, filed September 25, 2000, showed the well capable of producing 2757 MCF/D, with a gas/liquid ratio of 56,708 cubic feet per barrel.
7. The Cuellar No. 1 averaged 2910 MCF per day between December 11, 2000, and January 1, 2001, but is probably capable of producing at a higher rate.
8. Shutting this well in to make up overproduction that occurred prior to the approval of the new field will not prevent waste or protect correlative rights.
9. The Wilcox section productive in the Cuellar No. 1 includes three unconnected sandstones within it.
10. Allocation based 5% per well and 95% on deliverability will satisfy statutory requirements for two factors as required for a multiple reservoir field.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The Camden Resources, Inc., Cuellar Lease Well No. 1, between 10,250 and 10,458 feet, is entitled to be considered a new field discovery well as it produces from a reservoir that has not been produced before.
4. The requested designated interval and allocation formula will prevent waste, protect correlative rights within the field, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Camden Resources, Inc., Cuellar Lease Well No. 1, between 10,242 and 10,470 feet, be considered the discovery well for a new field and that the requested rules for the newly-designated Rosita (10,250) Field be approved. The overproduction for the discovery well should be canceled.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: January 25, 2001