

OIL AND GAS DOCKET NO. 04-0228173

THE APPLICATION OF COASTAL OIL & GAS CORPORATION FOR NEW FIELD DESIGNATION AND RULES FOR THE (PROPOSED) BOB WEST, S. (L 21-25) FIELD, STARR COUNTY, TEXAS

Heard by: Donna K. Chandler, Technical Examiner

Hearing Date: May 14, 2001

Appearances:

Representing:

James Cowden
Terry Payne

Coastal Oil & Gas Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Coastal Oil & Gas Corporation requests that a new field designation called the Bob West, S. (L 21-25) Field be approved for its Luera Well No. 4 and that the Falcon Dam (Wilcox G-2) Field be consolidated into this new field. Coastal also requests that the following field rules be adopted for the field:

1. Designation of the field as the correlative interval from 13,490 feet (MD) to 14,241 feet (MD) feet as shown on the log of the Luera No. 4;
2. 467'-933' well spacing;
3. Allocation based on 95% deliverability and 5% per well.

Coastal requests that the statewide density rule requiring 40 acre drilling units remain in effect and that there be no rule prescribing proration units.

This application was unopposed and the examiner recommends approval of the new field designation, field consolidation and proposed rules for the Bob West, S. (L 21-25) Field.

DISCUSSION OF THE EVIDENCE

Coastal completed its Luera No. 4 on April 13, 2001. Coastal initially perforated the L-25 at 14,198-14,220 feet (MD). This interval produced 9,517 MCFD on initial test. The well has since been perforated in the L-21, L-22, L-23 and L-24, between 13,498 feet and 14,120 feet. All five zones are now commingled and the producing rate is slightly over 10,000 MCFD.

The L-21 zone in the Luera No. 4 is correlative to the Wilcox G-2 zone which has been designated as the Falcon Dam (Wilcox G-2) Field. There are three wells on the Commission's proration schedule in the Falcon Dam (Wilcox G-2) Field, all completed in the mid 1980's. Two of the three wells are operated by Coastal and one is operated by Wilcox Operating Corporation. None of the three wells are active wells.

The only production from the L-22, L-23, L-24 or L-25 reservoirs is from the Bob West fields approximately 2 miles to the north of the Luera No. 4. The closest L-21 (or Wilcox G-2) well is the Luera No. 1 approximately 950 feet from the Luera No. 4. The Luera No. 1 last produced in April 1999.

The L-25 in the Luera No. 4 had a pressure gradient of 0.8, the L-24 had a gradient of 0.81 and the L-22/L-23 had a pressure gradient of 0.79 psi/ft. The gradient in the L-21 was 0.68, slightly lower than the others, possibly due to drainage from the Luera No. 1 which produced from the same interval.

The five intervals proposed for consolidation into the new field are all Wilcox age which have similar properties. Consolidation of the zones into a single field will allow recovery from each zone to be maximized.

A two factor allocation formula is necessary for the proposed interval to be considered a single field because the interval consists of multiple, stratigraphic pay zones. Coastal requests that allocation be based on 95% deliverability 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. No protests were received.
2. The Luera No. 4 was completed by Coastal Oil & Gas Corp. in April 2001. The initial completion was in the Wilcox L-25 at approximately 14,200 feet. Four additional Wilcox zones have been perforated and all five zones are now commingled in the well.
3. The Wilcox L-21 has been produced from a field known as the Falcon Dam (Wilcox G-2) Field since 1984.
4. The completion in the Luera No. 4 is entitled to a new field designation.
 - a. All four Wilcox L sands except for the L-21 encountered virgin pressure.

- b. The nearest production from the L-22, L-23, L-24 or L-25 is approximately 2 miles to the north in various Bob West fields.
5. Consolidation of the Falcon Dam (Wilcox G-2) Field into the new field is appropriate to maximize recovery from all five Wilcox L sands.
6. Well spacing a minimum of 467 feet from lease lines and 933 feet between wells will provide flexibility in locating wells in this field and is common for Vicksburg fields in this area.
7. 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 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. Approval of the new field designation and field rules for the Bob West, S. (L 21-25) Field will protect correlative rights, prevent waste and promote and orderly development of the field.
4. Consolidation of the Falcon Dam (Wilcox G-2) Field into the Bob West, S. (L 21-25) Field will prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that a new field designation be approved called the Bob West, S. (L 21-25) Field and that field rules be adopted for the field as proposed by Coastal. The examiner further recommends consolidation of the Falcon Dam (Wilcox G-2) Field into the Bob West, S. (L 21-25) Field.

Respectfully submitted,

Donna Chandler
Technical Examiner