

OIL AND GAS DOCKET NO. 04-0228431

THE APPLICATION OF COASTAL OIL & GAS CORPORATION FOR A NEW FIELD DESIGNATION AND PERMANENT FIELD RULES, (PROPOSED) TOM EAST (13800) FIELD, BROOKS COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: May 18, 2001

Hearing held: June 20, 2001

Appearances

James Cowden
Terry Payne

Representing
Coastal Oil & Gas

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Coastal Oil & Gas is proposing the new field designation of Tom East (13800) Field for its Santa Fe Ranch Lease Well No. 1. The applicant is also proposing the following permanent field rules for the new field:

1. Designated interval from 13,800 to 14,100 feet as shown on the log of the Coastal Oil & Gas Corp. Santa Fe Ranch Lease Well No. 1;
2. 467-933' well spacing; and
3. allocation for gas wells based 5% per well and 95% on deliverability.

No density rule has been requested, but 40 acre drilling units would still be required.

DISCUSSION OF THE EVIDENCE

The new field was discovered in June of 2001, by the completion of the Santa Fe Ranch Lease Well No. 1, drilled by Coastal Oil & Gas. The completion forms for the discovery well were filed June 13, 2001. The discovery well was perforated from 13,952 to 14,080 feet in relatively thick sandstone of the Vicksburg Formation. The sandstone extends from 13,800 to 14,100 feet and may not require a two-factor allocation formula. Coastal is requesting the spacing and allocation rules as indicated because they are the same as for other Vicksburg fields in the area. It is likely that wells in this field may be eventually downhole commingled to produce from other Vicksburg fields along with the subject field.

There is little production history as the well has only been producing for only two weeks. Reservoir permeability is very low and the well may qualify for tax credit as a completion in a tight gas

formation. The best gas-producing rate during the G-1 test was very high at over 10 MMCF/D, due to a large fracture stimulation. Coastal is already drilling another well for this reservoir.

The measured bottom-hole pressure in the subject well was 13,035 psi, indicating virgin pressure and an undrained reservoir. There are only nine wells within 2-1/2 miles of the Santa Fe Ranch No. 1 and none of them are now producing. Only one well produced from a comparable depth and it was almost 2-1/2 miles away. This well was active between 1978 and 1981 and had cumulative production of only 200 MMCF.

The requested drilling unit size of 40 acres is provided for under Statewide Rule 37, but no special density rule is being requested. The proposed spacing of 467-933 feet is standard for wells on 40 acres. The requested allocation formula, based 95% on deliverability and 5% per well, is very close to the Statewide Rule for gas wells which bases allocation on deliverability.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the field and to all offset operators to the discovery tract on May 31, 2001.
2. The new field was discovered in June of 2001, by Coastal's completion of its Santa Fe Ranch Well No. 1.
3. The discovery well has only a few weeks of production but it was tested at a maximum rate of over 10 MMCF per day.
4. The discovery well was perforated from 13,952 to 14,088 feet and the proposed designated interval extends from 13,800 to 14,100 feet.
5. There are no producing wells within 2-1/2 miles of the Santa Fe No. 1, and the well's bottomhole pressure of 13,035 psi indicates it is in a new reservoir.
6. The proposed drilling units of 40 acres are the same as Statewide Rules.
7. Well spacing of 467-933 feet is standard for 40-acre density.
8. The proposed allocation formula, based 95% on deliverability and 5% per well, is the same as in other Vicksburg fields nearby.
9. Downhole commingling other Vicksburg fields with the proposed Tom East (13800) Field will be easier if this field has the same spacing and allocation rules as the other fields.

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 requested new field designation and field rules will prevent waste, protect correlative rights within the field, and promote orderly development of the reservoirs.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Coastal Oil & Gas Corporation Santa Fe Ranch Lease Well No. 1 be designated as a new field discovery to be known as the Tom East (13,800) Field. The requested gas rules should be approved on a permanent basis.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: July 24, 2001