

January 30, 2002

OIL AND GAS DOCKET NO. 04-0230219

THE APPLICATION OF WYNN-CROSBY ENERGY, INC., FOR NEW FIELD DESIGNATION AND TWO FACTOR ALLOCATION FORMULA FOR (PROPOSED) CD NABORS (VICKSBURG) FIELD, STARR COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: December 14, 2001

Hearing held: January 23, 2002

Appearances

Rick Johnston

Representing

Wynn-Crosby Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Wynn-Crosby Energy is seeking to have its Cleopatra Lease Well No. 1 designated as the discovery well for a field to be known as CD Nabors (Vicksburg) Field. Because the field contains multiple lenticular reservoirs a two-factor allocation formula is necessary. Wynn-Crosby is proposing the following rules:

1. Designated interval from 8850 to 9860 feet as shown on the log of the Wynn-Crosby Energy, Inc., Cleopatra Lease Well No. 1; and
2. allocation based 5% per well and 95% on deliverability.

DISCUSSION OF THE EVIDENCE

Wynn-Crosby completed its Cleopatra Lease Well No. 1 as a gas well in December of 2000. The initial test rate of the well was 1904 MCF/D, at a bottom-hole pressure of 7360 psi, with a gas/liquid ratio of 73,457 cubic feet per barrel. The well has produced 600 MMCF and 8000 BC while the daily rate has been declining hyperbolically. The well's current producing rate is about 4000 MCF per month. The applicant believes that adding perforations in some shallower Vicksburg sandstones may keep this well on production longer.

The reservoir is on a small closure against a northeast-southwest trending fault and probably no more wells will be drilled for this field. This is an area of multiple faults and the subject well is nearly surrounded by dry or plugged wells. The closest well that produced from the same depths was a mile south, is fault-separated from the discovery well, and was plugged in 1971 after producing 262 MMCF. Just to the west of that well, another gas well produced 47 MMCF from similar depths, but it was

abandoned in 1985. Both of the plugged wells had bottom-hole pressures of about 2200 psi when they were abandoned, while the Cleopatra No. 1 had virgin geopressure.

There are several shale sections in the proposed designated interval, and the sandstones are probably separated into multiple stratigraphic reservoirs. The gross interval of the perforations in the Cleopatra Well No. 1 extends from 9337 to 9854 feet, while the potentially productive sandstones are found between 8850 feet and 9860 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 CD Nabors (Vicksburg) Field and to all offset operators to the discovery tract on January 10, 2001.
2. The discovery well for the proposed CD Nabors (Vicksburg) Field, the Camden Resources Cuellar Lease Well No. 1, was completed in December of 2000.
3. The Wynn-Crosby Energy, Inc., Cleopatra Lease Well No. 1 is perforated in the gross interval from 9337 to 9854 feet, while the potentially productive sandstones are found between 8850 feet and 9860 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 Wynn-Crosby Energy, Inc., Cleopatra Lease Well No. 1 was 7360 psi, indicating virgin geopressure.
6. A Form G-1, filed December 22, 2000, showed the well capable of producing 1904 MCF/D, with a gas/liquid ratio of 73,457 cubic feet per barrel.
7. The Wynn-Crosby Energy, Inc., Cleopatra Lease Well No. 1 has produced about 600 MMCF and 8000 BC, and is now averaging about 4000 MCF per month.
8. The Vicksburg section expected to be productive in the Wynn-Crosby Energy, Inc., Cleopatra Lease Well No. 1 includes several shales which separate the producing sandstones into separate reservoirs.
9. 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 Wynn-Crosby Energy, Inc., Cleopatra Lease Well No. 1, between 8850 feet and 9860 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 Wynn-Crosby Energy, Inc., Cleopatra Lease Well No. 1, between 8850 feet and 9860 feet, be considered the discovery well for a new field and that the requested rules for the newly-designated CD Nabors (Vicksburg) Field be approved.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: February 5, 2002