

July 26, 2002

OIL AND GAS DOCKET NO. 04-0231712

THE APPLICATION OF TOTALFINAELF E & P USA, INC., FOR NEW FIELD DESIGNATION AND TWO-FACTOR ALLOCATION FORMULA FOR (PROPOSED) EL EBANITO (NICHOLSON) FIELD, STARR COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: June 14, 2002

Hearing held: July 19, 2002

Appearances

Greg Cloud
Bob Tierney

Representing
TotalFinaElf E&P USA, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

TotalFinaElf E&P USA, Inc., is seeking to have its T.B. Slick Estate Lease Well No. 130 designated as the discovery well for a field to be known as El Ebanito (Nicholson) Field. Because the field contains multiple lenticular reservoirs a two-factor allocation formula is necessary. TotalFinaElf is proposing the following rules:

1. Designated interval from 9990' to 10,230' as shown on the log of the TotalFinaElf, T.B. Slick Estate Lease Well No. 130; and
2. allocation based 5% per well and 95% on deliverability.

DISCUSSION OF THE EVIDENCE

TotalFinaElf tested its T.B. Slick Estate Lease Well No. 130 as a gas well in April of 2001. The maximum initial test rate of the well was 10,616 MCF/D at a bottom-hole pressure of 8321 psi with a gas/liquid ratio of 48,742 cubic feet per barrel. The expected ultimate recovery is 2.1 BCF. A second well has been completed in the same reservoir, the TotalFinaElf T.B. Slick Estate Well No. 131. This second well has an expected ultimate recovery of 900 MMCF.

There have been dozens of producing fields approved within 2-1/2 miles but almost all of them are much shallower than Well No. 130. The closest producing well is a half mile to the southwest, in the Borosa, South (Vicksburg S) Field at 6000'. Well No. 130 is completed in the upthrown block of a fault where the T-12 sandstones are at about the same depth as the T-9 sandstones on the other side of the fault.

There are multiple sandstone sections perforated within the Vicksburg Formation in the proposed field. The gross interval of the Nicholson sandstones extends from 9990' to 10,230' feet in the T.B. Slick Estate Well No. 130. The gross perforated interval is from 9997' to 10,230'. 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 El Ebanito (Nicholson) Field and to all offset operators within 2-1/2 miles of the discovery tract on July 2, 2002.
2. The discovery well for the proposed El Ebanito (Nicholson) Field, the TotalFinaElf T.B. Slick Estate Lease Well No. 130, was tested in April of 2001.
3. The T.B. Slick Estate No. 130 is perforated in the gross interval from 9997 feet to 10,230 feet, in a section of productive Nicholson sandstones that extends from 9990 feet to 10,230 feet.
4. The initial bottom-hole pressure measured in the T.B. Slick Estate Well No. 130 was 8321 psi, indicating virgin pressure.
5. A Form G-1, conducted April 16, 2001, showed the well capable of producing 10,616 MCF/D, with a gas/liquid ratio of 48,742 cubic feet per barrel.
6. 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.
7. The Nicholson section productive in the T.B. Slick Estate No. 130 includes several unconnected sandstones within it.
8. 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 TotalFinaElf T.B. Slick Estate Lease Well No. 130, between 9990' and 10,230', 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 TotalFinaElf T.B. Slick Estate Lease Well No. 130, between 9990 feet and 10,230 feet, be considered the discovery well for a new field and that the requested rules for the newly-designated El Ebanito (Nicholson) Field be approved. The overproduction for the discovery well should be canceled.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: October 21, 2002