

July 26, 2002

OIL AND GAS DOCKET NO. 04-0231713

THE APPLICATION OF TOTALFINAELF E & P USA, INC., FOR NEW FIELD DESIGNATION AND TWO-FACTOR ALLOCATION FORMULA FOR (PROPOSED) EL EBANITO (YEGUA) 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. 132 designated as the discovery well for a field to be known as El Ebanito (Yegua) 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 11,910' to 12,120' as shown on the log of the TotalFinaElf, T.B. Slick Estate Lease Well No. 132; 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. 132 as a gas well in January of 2002. The maximum initial test rate of the well was 2681 MCF/D at a bottom-hole pressure of 8377 psi with a gas/liquid ratio of 478,750 cubic feet per barrel.

There have been dozens of producing fields approved within 2-1/2 miles but almost all of them are much shallower than Well No. 132. The closest producing well is 600 feet to the northeast, in the Borosa, South (Frio) Field at 2300'. The closest Yegua production is in the Slick Well No. 113, over 3.5 miles to the northeast. Well No. 132 is completed in the up-thrown block of a fault where the Yegua sandstones are at about the same depth as the Vicksburg T-12 sandstones on the other side of the fault.

There are multiple sandstones within the Yegua Formation in the proposed field, though only one is perforated at the present time. The gross interval of the Yegua sandstones extends from 11,910' to 12,120' feet in the T.B. Slick Estate Well No. 132. The top of the Eocene/Jackson, which is also the

Eocene glide plane, is at 10,900'. The perforated interval extends from 11,992' to 12,016'. Because of the possible multiple reservoirs in the proposed interval, 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 (Yegua) 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 (Yegua) Field, the TotalFinaElf T.B. Slick Estate Lease Well No. 132, was tested in January of 2002.
3. The T.B. Slick Estate No. 132 is perforated in the interval from 11,992 feet to 12,016 feet, in a section of productive Yegua sandstone that extends from 11,910 feet to 12,120 feet.
4. The closest Yegua production is in the Slick Well No. 113, over 3.5 miles to the northeast of Well No. 132.
5. The initial bottom-hole pressure measured in the T.B. Slick Estate Well No. 132 was 8377 psi, indicating virgin pressure.
6. A Form G-1, conducted January 25, 2002, showed the well capable of producing 2681 MCF/D, with a gas/liquid ratio of 478,750 cubic feet per barrel.
7. 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.
8. The Yegua section productive in the T.B. Slick Estate No. 132 includes several unconnected sandstones within it.
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 TotalFinaElf T.B. Slick Estate Lease Well No. 132, between 11,910' and 12,120', 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. 132, between 11,910 feet and 12,120 feet, be considered the discovery well for a new field and that the requested rules for the newly-designated El Ebanito (Yegua) 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