

OIL AND GAS DOCKET NO. 04-0236098

THE APPLICATION OF NOBLE ENERGY, INC., FOR NEW FIELD DESIGNATION AND TWO-FACTOR ALLOCATION FORMULA FOR THE (PROPOSED) PARR-SUNRAY (YEGUA CONSOLIDATED) FIELD, DUVAL COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: August 21, 2003

Hearing held: September 24, 2003

Appearances

Ana Maria Marsland-Griffith

Duane Gonzales

Tom Strutz

Representing

Noble Energy, Inc

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Noble Energy ("Noble") is requesting that its Parr-Sunray Lease, Well No. 1, be designated as the discovery well for the (proposed) Parr-Sunray (Yegua Consolidated) Field. The requested field rules are summarized as follows:

1. Designated interval from 6700' to 7622' as shown on the log of the Noble Parr-Sunray Lease Well No. 1; and
2. allocation based 95% on deliverability and 5% per well.

DISCUSSION OF THE EVIDENCE

The proposed new field was discovered with the completion of Noble's Parr-Sunray Well No. 1, in August, 2003. The well is perforated from 7598' to 7614' in the lowermost part of the Yegua Formation. The highest deliverability on the initial test was 2566 MCF/D at gas/oil ratio of 37,536 cubic feet per barrel.

This field is located on a small anticline on the northwest side of a down-to-the-coast fault that cuts the discovery well at 6680'. Eleven wells within 2-1/2 miles have been completed in the Yegua, but all are fault-separated from the Parr-Sunray No. 1. The Yegua consists of stacked prodelta sandstones and has been subdivided into nine sand packages.

The Parr-Sunray No. 1 is now completed in the Y-1 sandstone which has 15' of net pay. Current daily production is 2500 MCF and 60 BC and has not yet shown any decline. If this application is approved, Noble will add perforations in the Y-4, Y-5C and Y-6 sandstones of the Yegua Formation.

The Y-4 sandstone has 29' of net pay in this well and is also expected to be a good producing sandstone. The Y-1 sandstone has an expected ultimate recovery of 2.8 BCF and the Y-4 is expected to recover 4.8 BCF. The Y-5C sand with 9' of net pay, and Y-6 sand with 15' of net pay, are both expected to be marginal producers, averaging 1/4 BCF each. Neither the Y-5C nor the Y-6 would be worth drilling a new well for and would probably be produced only if commingled with other sandstones. Cumulative production is expected to be 8.1 BCF and 203,000 barrels of condensate.

The gas produced from the current completion is 88% methane and is representative of the gas expected from all the Yegua sandstones. The produced water is fresh and is from condensation only. No problems are anticipated from downhole commingling production from any of the Yegua sandstones.

The top of the Yegua Formation (also the Y-7 sand) is at 6700' in Well No. 1 and the base is at 7622'. Because the proposed designated interval includes multiple reservoirs that are not in natural communication, a two-factor allocation formula is required by statute. One based 5% per well and 95% on deliverability will satisfy statutory requirements. Noble plans to drill two additional wells in this fault block.

FINDINGS OF FACT

1. Notice of this hearing was mailed to all operators offsetting the discovery well for the (proposed) Parr-Sunray (Yegua Consolidated) Field on September 5, 2003.
2. The Parr-Sunray (Yegua Consolidated) Field was discovered with the completion of the Noble Energy, Inc., Parr-Sunray Well No. 1 in August of 2003.
3. The discovery well is perforated from 7598' to 7614' in the Y-1 sandstone at the base of the Yegua Formation.
4. This Yegua field is on a structural anticline and fault-separated from other Yegua fields.
5. The interval from 6700' to 7622' in the Noble Energy, Inc., Parr-Sunray Lease, Well No. 1, includes all of the Yegua Formation.
6. A two-factor allocation formula, such as the proposed one based 5% per well and 95% on deliverability, will protect correlative rights and satisfy statutory requirements.

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 and field rules will prevent waste, protect correlative rights and promote orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Parr-Sunray (Yegua Consolidated) Field be approved as a new field with the requested field rules, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner