

January 14, 2000

OIL AND GAS DOCKET NO. 05-0223483

THE APPLICATION OF ANADARKO PETROLEUM COMPANY FOR NEW FIELD DESIGNATION AND TWO FACTOR ALLOCATION FORMULA FOR (PROPOSED) KEECHI CREEK (COTTON VALLEY) FIELD, FREESTONE COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: December 13, 1999

Hearing held: January 14, 2000

Appearances

Dale Miller

Representing
Anadarko Petroleum Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Anadarko is seeking to have its Burgher "A" Lease Well No. 1 designated as the discovery well for a field to be known as Keechi Creek (Cotton Valley) Field. The requested field name cannot be used as there is already a Keechi Creek Field in another district. The applicant requested that its second choice for a new field name, Dowdy Ranch (Cotton Valley), be used instead. Because the field contains multiple lenticular reservoirs a two factor allocation formula is necessary. Anadarko is proposing the following rules:

1. Designated interval from 11,050 to 13,580 feet as shown on the log of the Anadarko Petroleum Burgher "A" Lease Well No. 1;
2. Allocation based 5% per well and 95% on deliverability

DISCUSSION OF THE EVIDENCE

The Burgher "A" Lease Well No. 1 was drilled in August of 1999, and was tested at a maximum rate of 1194 MCF/D, with bottom-hole pressure of 5983 psi. There are no Cotton Valley wells and therefor no comparable production, at a similar depth, within a 2-1/2 mile radius. The Burgher "A" Lease No. 1 is entitled to be considered the discovery well for a new field.

Cumulative production from the discovery well since August, 1999, has been 141 MMCF of gas with no condensate. A field designation has not been assigned yet, but all of the required forms for this well were filed during or before October. The operator believes that designating Well No. 1 as a discovery well will eliminate its overproduction. Anadarko has already drilled five more wells to this field and intends to drill two more.

Well No. 1 is selectively perforated from 13,088 to 13,351 feet. Although only the lower part of the Cotton Valley is producing in this well, there may be shallower productive lenses within the Cotton Valley Formation. The Cotton Valley contains numerous lenticular sands that are generally not economic to complete separately. These are very expensive wells and production from a single sand lens would not be enough to pay for cost of completion. Producing each lens consecutively, as would be required if this application is denied, would cause completion in the Cotton Valley Formation to be uneconomic.

The Cotton Valley Formation extends from 11,050 to 13,580 feet, and the operator wants the entire interval designated as a single field. Because of the numerous reservoir sands within the proposed designated interval, a two-factor allocation formula is required by statute. One based 5% per well and 95% on deliverability is close to the Statewide allocation formula, while satisfying the statutory requirement.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the proposed Dowdy Ranch (Cotton Valley) Field and to all offset operators to the discovery tract on December 23, 1999.
2. The discovery well for the field, the Burgher "A" Lease Well No. 1, was completed in August of 1999, in a previously unproduced reservoir.
3. There are no wells that have produced from a comparable interval within 2-1/2 miles of the Burgher "A" Lease Well No. 1.
4. The Cotton Valley Formation in this field extends from 11,050 feet to 13,580 feet as shown on the log of the discovery well, and includes numerous lenticular sandstones within it.
5. Allocation based 5% per well and 95% on deliverability will protect correlative rights and satisfy statutory requirements.
6. There have been five additional wells drilled to this field and two more are planned.
7. These wells are expensive and completing each Cotton Valley sand sequentially would cause all the Cotton Valley production in this area to be uneconomic.
8. Fracture stimulations put many of the sandstones into communication after drilling.

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 Anadarko Burgher "A" Lease Well No. 1 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 Anadarko Petroleum Corporation Burgher "A" Lease Well No. 1 be considered the discovery well for a new field and that the requested allocation formula for the newly-designated Dowdy Ranch (Cotton Valley) Field be approved.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: February 8, 2000

Exhibits

1. New field denial letter
2. Form P-7
3. Form G-1
4. Form G-10
5. Production history
6. Production graph
7. Map of 2 1/2 mile radius
8. Structure map
9. Log
10. AFE
11. Estimate of recoverable reserves