

November 10, 2000

**OIL AND GAS DOCKET NO. 06-0226428**

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**THE APPLICATION OF MARATHON OIL COMPANY FOR NEW FIELD DESIGNATION AND TWO FACTOR ALLOCATION FORMULA FOR (PROPOSED) MARTINSVILLE, NORTH (TRAVIS PEAK) FIELD, SHELBY COUNTY, TEXAS**

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**Heard by:** Margaret Allen, Technical Hearings Examiner

**Procedural history**

Application received: October 12, 2000

Hearing held: November 10, 2000

**Appearances**

Robert Ellis

Representing

Marathon Oil Company

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Marathon Oil is seeking to have its Dillard "A" Lease Well No. 1 designated as the discovery well for a field to be known as Martinsville, North (Travis Peak) Field. Because the field contains multiple lenticular reservoirs a two-factor allocation formula is necessary. Marathon is proposing the following rules:

1. Designated interval from 8140 to 10,500 feet as shown on the log of the Marathon Oil Company Dillard "A" Lease Well No. 1; and
2. allocation based 25% per well and 75% on acreage.

It is not possible to base any portion of the allocation formula on acreage unless a field rule is adopted prescribing proration units. The applicant amended its application to request that 75% of the allowable be based on each well's potential test.

**DISCUSSION OF THE EVIDENCE**

Marathon completed its Dillard "A" Lease Well No. 1 as a gas well in March of 2000, and the well began flowing April 20th. A distillation test showed that the well should be classified as an oil well and a Form W-2 was filed on June 22, 2000. The initial potential of the well at that time

was 20 BOPD, 498 MCF/D and 55 BWPD. The bottom-hole pressure was calculated to be 4310 psi at a corrected depth of 9460 feet.

There are no producing wells in the vicinity of the subject well. There are several dry holes and two plugged and abandoned wells within 2-1/2 miles of the Dillard "A" No. 1. One of the abandoned wells produced from the Rodessa Formation. The other well, the Texlan Oil Sharpton Well No. 1 produced from perforations between 9453 to 9523 feet but was abandoned in 1984. The subject well has produced only 2300 BO but it makes a lot of water and has produced only intermittently. As the well has not been assigned to a field, all of the production is considered overproduction.

There were three sandstone sections perforated within the Travis Peak that extends from 8140 to 10,500 feet in the Dillard "A" Well No. 1. The perforations are between 10,140 and 10,270 feet, between 9858 and 10,015 feet, and between 9460 and 9590 feet. Each set of perforations was acidized and fracture stimulated separately. Because of the multiple reservoirs, a two-factor allocation formula is required by statute. One based 25% per well and 75% on potential will satisfy the statutory requirement for two factors.

#### **FINDINGS OF FACT**

1. Notice of this hearing was given to all operators in the proposed Martinsville, North (Travis Peak) Field and to all offset operators to the discovery tract on October 20, 2000.
2. The discovery well for the proposed Martinsville, North (Travis Peak) Field, the Dillard "A" Lease Well No. 1, was completed in various Travis Peak sandstones early in 2000.
3. Only one well within 2-1/2 miles of the Dillard "A" Lease Well No. 1 was ever perforated in the Travis Peak and it was abandoned in 1984.
4. The Dillard "A" No. 1 is perforated between 10,140 and 10,270 feet, between 9858 and 10,015 feet, and between 9460 and 9590 feet.
5. The initial bottom-hole pressure measured in the Dillard "A" Well No. 1 was 4310 psi, indicating virgin pressure.
6. The applicant originally produced the well as a gas well, but a distillation test showed that the well should be classified as an oil well.
7. A Form W-2, filed June 22, 2000, showed the well's potential to be 20 BOPD and 55 BWPD, with a gas/oil ratio of 24,900 cubic feet per barrel.
8. The well makes a lot of water and produces erratically, but has accumulated about 2300 barrels of overproduction.

9. If the well had to be shut-in to make up this overproduction it might not be possible to return the well to production.
10. The productive Travis Peak section in the proposed new field extends from 8140 feet to 10,500 feet as shown on the log of the discovery well, and includes several lenticular sandstones within it.
11. Allocation based 25% per well and 75% on potential 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 Marathon Oil Dillard "A" Lease Well No. 1, in the Travis Peak sandstones between 8140 and 10,500 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 Marathon Oil Dillard "A" Lease Well No. 1, between 8140 and 10,500 feet, be considered the discovery well for a new field and that the requested rules for the newly-designated Martinsville, North (Travis Peak) Field be approved. The overproduction for this well should be canceled.

Respectfully submitted,

Margaret Allen  
Technical Hearings Examiner

Date of Commission Action: December 5, 2000

Exhibits

1. Map
2. Log
3. Form W-2
4. Production tabulation