

**OIL AND GAS DOCKET NO. 7B-0228434**

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**COMMISSION CALLED HEARING TO REVIEW MER AUTHORITY GRANTED IN DOCKET NO. 7B-0224824 FOR THE MULBERRY CANYON (CISCO) FIELD, NOLAN COUNTY, TEXAS**

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

**Procedural history**

Notice of review issued: May 31, 2001

Hearing held: July 17, 2001

**Appearances**

Michael McElroy	Representing
Rick Johnston	Chisholm Operating, Inc.

Dale Miller	LCS Production Company
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**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

The Commission granted MER authority under Final Order 7B-0224824, issued August 8, 2000. The original application of Chisholm Exploration was protested by L.C.S. Production Company and the MER adopted was made effective for only 12 months. Both parties are now requesting that the MER of 100 BOPD, with a net gas/oil ratio of 880 cubic feet per barrel, that was adopted on a temporary basis be made permanent.

**DISCUSSION OF THE EVIDENCE**

The Mulberry Canyon (Cisco) Field was discovered in 1998 and has been actively developed since. Chisholm operates 12 wells on its Texaco Fee Lease in the center of the field. There are three other wells operated by LCS and three operated by R.L. Adkins. The discovery allowable for the field was 100 BOPD and 200 MCF/D, but after that expired the yardstick allowable would have been 44 BOPD with a daily gas limit of 88 MCF. Chisholm's application asked to return the allowable to the discovery amount. The Commission approved the discovery oil allowable of 100 BOPD, but reduced the daily gas limit to the yardstick of 88 MCF.

Chisholm presented the log of its Texaco Fee Lease Well No. 3 to show there are only about 20 productive feet in the reservoir that have oil-filled porosity and these overlie 20 feet of water-filled porosity. This well was perforated from 3873 to 3880 feet. Cumulative production from the field is already over 500,000 BO.

Chisholm believes that the field has a water drive, though it may not be particularly strong, and may also involve depletion drive. Only Chisholm's lease is reporting gas production and this production is steady at about 100 cubic feet per barrel. This lease also produces about 40,000 BO. Chisholm testified that its lease water production is steady at about 3000 barrels per day. Reservoir

pressure has dropped only 200 psi from the discovery pressure of 1400 psi, even though 500,000 barrels of oil have been produced. If the bubble point pressure calculated by Chisholm to be 370 psi, is correct, the field's ultimate production may be two to two and a half million barrels of oil.

The current MER allowable of 100 BOPD is therefor not causing increases in the gas/oil ratio nor the water cut. Reservoir pressure has dropped only slightly from the original 1400 psi. There is no apparent need to increase the gas allowable above the yardstick amount of 88 MCF/D.

### **FINDINGS OF FACT**

1. Notice of this hearing was issued to operators of record in the Mulberry Canyon (Cisco) Field on July 17, 2001.
2. The Mulberry Canyon (Cisco) Field was discovered in 1998, and has 18 wells, twelve of which are operated by Chisholm.
3. The field's discovery allowable was 100 BOPD, while the yardstick allowable would have been 44 BOPD and 88 MCF/D.
4. On August 8, 2000, the Commission granted an MER of 100 BOPD, for a year, with the daily gas limit based on the yardstick allowable of 88 MCF.
5. The Mulberry Canyon (Cisco) reservoir has at least a partial water drive.
  - a. Gas production on Chisholm's lease has remained steady at about 100 cubic feet per barrel.
  - b. Bottom-hole pressure has declined only about 200 psi while the field has produced 500,000 BO.
  - c. The calculated bubble point is 370 psi.
6. Wells in the Mulberry Canyon (Cisco) Field can safely produce 100 BOPD without causing waste.

### **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 existing MER authority and daily gas limit for wells in the Mulberry Canyon (Cisco) Field are preventing waste and protecting correlative rights.

### **EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the MER of 100 barrels of oil per day with a daily gas limit of 88 MCF be adopted on a permanent basis for all wells in the Mulberry Canyon (Cisco) Field, Nolan County, Texas.

Respectfully submitted,

Margaret Allen  
Technical Hearings Examiner

Date of Commission Action: August 7, 2001