RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0287052

THE APPLICATION OF LINC GULF COAST PETROLEUM, INC. TO CONSOLIDATE THE ATKINSON ISLAND (FRIO) FIELD INTO THE ATKINSON ISLAND (CONS.) FIELD AND TO ADOPT FIELD RULES FOR THE PROPOSED ATKINSON ISLAND (CONS.) FIELD, CHAMBERS COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Terry Johnson – Hearings Examiner
Karl Caldwell – Technical Examiner

HEARING DATE: February 28, 2014

APPEARANCES:	**REPRESENTING:**
APPLICANT:	
Flip Whitworth	Linc Gulf Coast Petroleum, Inc.
Jordan Broussard	
Bob Zamboras	
John Thibeaux	

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Linc Gulf Coast Petroleum (Linc) proposes to consolidate the Atkinson Island (Frio) Field into a new field named Atkinson Island (Cons.) Field. Linc proposes to establish field rules for the new field, including a significantly larger correlative interval, and to establish a maximum efficient rate (MER) allowable for the field. Existing wells will be transferred into the new field (see Attachment A). The application was not protested and the examiners recommend the fields be consolidated, field rules adopted, and an MER allowable established for the Atkinson Island (Cons.) Field as requested by Linc.

DISCUSSION OF EVIDENCE

The first wells in the Atkinson Island area were drilled in 1948. Production has at times been reported to other (Cedar Point) fields in the area. From 1948 to 1963 Atkinson Island wells produced about 1.1 MMBO. The Atkinson Island (Frio) Field (proper) was established in 1980. The historical cumulative production is about 1.9 MBO and 9.7 BCF gas, all of which has been from the Frio Formation.

Linc reports that the field area is currently in its fourth-generation of exploration and production, and that this latest round is based on the re-evaluation of three-dimensional seismic data. Based on its current interpretation, Linc believes it has better resolved the severely faulted subsurface structure in the Frio Formation, as well as the overlying Miocene sediments and underlying Vicksburg Formation. Linc's data indicates that the Atkinson Island reserves are geologically isolated from those in the nearby Cedar Point fields to the north by a large fault traversing from northwest to southeast. Within the Atkinson Island fault blocks, Linc has identified seven target zones in the Frio generally ranging in size from 10 to 15 acres, and one block of about 50 acres. Linc estimates an additional recoverable 1 MMBO present in these target zones. Expanding the field to include the Miocene and Vicksburg Formations will allow Linc to explore production from these faults as they extend into these intervals.

The Atkinson Island (Frio) Field currently operates under Statewide Rules. Atkinson Island is a dredge spoil feature in Galveston Bay adjacent to the Houston Ship Channel. The U.S. Army Corps of Engineers continues to dredge the Ship Channel and deposit the dredge spoils on and along the margins of Atkinson Island. Linc acquired the 1,280 acre lease in October 2011. All locations within the lease on in State waters (Galveston Bay). Several factors contribute to limiting Linc's options for surface siting of well locations. In addition to the continuous dredging activity, the Bay experiences seasonal water level fluctuations that limit the mobility and usability of drilling barges. Generally, in the summer months there will be from 8 to 10 feet of water in the bay, but in the winter there may only be one foot or less. Linc's production activities are also subject to Corps of Engineer review under Section 408 of the National Environmental Policy Act.

Linc requests that the following Field Rules be adopted for the Atkinson Island (Cons.) Field:

1. Designated correlative interval from 1,150 feet to 13,510 feet as shown on the log of the Gulf State Tract 210 Well No. 1 (API No. 071-30933);

2. 50'-0' well spacing;

3. 40 acre drilling and proration units for gas wells with 10 percent tolerance

and a maximum diagonal of 2,100 feet for a 40 acre unit.

4. 40 acre drilling and proration units for oil wells with 20 acre tolerance and a maximum diagonal of 2,100 feet for a 40 acre unit.

5. 10-acre optional units for oil and gas wells.

6. Field classification as associated-prorated with gas allocation based on 95% acres and 5% deliverability, with the allocation formula suspended;

7. Oil allocation based on 95% acres and 5% per well with a top MER oil allowable of 850 BOPD.

Linc also requests an MER allowable of 850 BOPD for all wells in the Atkinson Island (Cons.) Field. The average porosity of the reservoir is 29 percent, the average permeability is 500 millidarcies, and the average oil saturation is 75 percent. There is a strong water drive mechanism. The reservoir is not over-pressured. Linc believes the effectiveness of the water drive and other factors will prevent water coning or the formation of a secondary gas cap.

FINDINGS OF FACT

1. Notice of this hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing. Linc is the only operator in the field.

2. Since 1980 the Atkinson Island (Frio) Field has produced about 1.9 MBO and 9.7 BCF gas, all of which has been from the Frio Formation.

3. Consolidating the Atkinson Island (Frio) Field into the Atkinson Island (Cons.) Field will allow for significant expansion of the correlative interval to include potential reserves in the Miocene sediments and the Vicksburg Formation.

4. The field is severely faulted, and Linc has identified an additional seven target zones ranging in size from 10 to 50 acres.

5. The field is geologically isolated from the nearby Cedar Point fields.

6. 50 foot lease line and no between well spacing will provide Linc with flexible options for well siting given the restrictive nature of the Galveston Bay and Houston Ship Channel environments.

7. An effective water drive and other factors will prevent water coning or the formation of a secondary gas cap.

8. An 850 BOPD MER will not harm correlative rights or cause waste.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.

2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.

3. Consolidation of the subject fields will prevent waste, protect correlative rights, and promote the orderly development of the field.

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

5. An MER allowable of 850 BOPD will not harm correlative rights and will not cause waste.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the field consolidation, adopt Field Rules and establish an MER allowable for the Atkinson Island (Cons.) Field, as requested by Linc Gulf Coast Petroleum, Inc.

Respectfully submitted,

Paul Dubois
Technical Examiner

Terry Johnson
Hearings Examiner

ATTACHMENT A

Wells to be Transferred Without Fees from the Atkinson Island (Frio) Field (ID No. 04291 500) to the Atkinson Island (Cons.) Field (ID No. 04291 400) :

Lease Name	Well No.	Lease/ID No.	API No.
State Tract 126	2	14221	071-31127
State Tract 126	3	14221	071-31084
State Tract 126	4	14221	071-31959
State Tract 126	5	14221	071-32355
State Tract 127A	2	24150	071-32226
State Tract 126A	6A	25408	071-32383
State Tract 126A	1	25550	071-32220
State Tract 125	1	213676	071-32306
State Tract 126	1	126202	071-31063