OIL AND GAS DOCKET NO. 04-0227851

THE APPLICATION OF MAGUIRE OIL COMPANY TO CONSIDER FIELD CONSOLIDATION, PERMANENT FIELD RULES AND PERMANENT GAS WELL CLASSIFICATION FOR THE ANN MAG, EAST (L. VX BLAINEY, SD) AND ANN MAG, EAST (LOWER VX) FIELDS, BROOKS COUNTY, TEXAS

Heard by: Donna K. Chandler, Technical Hearings Examiner

Hearing Date: April 16, 2001

Appearances:	**Representing:**
Greg Cloud	Maguire Oil Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Maguire Oil Company requests that the Ann Mag, East (L. Vx Blainey Sd) Field and the Ann Mag, East (Lower Vx) Fields be consolidated into a new field called the Ann Mag, East (Blainey) Field. Maguire also requests that the following rules be adopted for the Ann Mag, East (Blainey) Field:

1. Designation of the field as the correlative interval between 11,280 feet and 13,656 feet as shown on the log of the Sullivan Deep "C" No. 1;

2. 660'-1,200' well spacing;

3. 80 acre density plus 10% tolerance and a maximum diagonal of 4,500 feet;

4. Allocation based on 95% acreage and 5% deliverability.

Maguire further requests that all wells in the consolidated field be permanently classified as gas wells and that the allocation formula in the consolidated field be suspended.

This application was unprotested and the examiner recommends approval of the field consolidation, field rules, suspension of allocation formula and permanent gas well classification for all wells in the consolidated field.

DISCUSSION OF THE EVIDENCE

The Ann Mag, East (L. Vx Blainey Sd) Field was discovered in June 1997 at a depth of approximately 11,676 feet. This field is a non-associated gas field which operates under field rules providing for 80 acre density and 467' - 1,200' well spacing. The allocation formula has been suspended since July 1999. Maguire operates the three producing wells in the field.

The Ann Mag, East (Lower Vx) Field was discovered in May 1999 at a depth of approximately 13,400 feet. The field is also a non-associated gas field which operates under rules providing for 80 acre density and 660 - 1,320' well spacing. The allocation formula in this field was suspended in January 2001. Maguire operates the two producing wells in the field.

The designated interval for the Ann Mag, East (L. Vx Blainey Sd) Field includes the Vicksburg 4, 5 and 6 reservoirs. The designated interval for the Ann Mag, East (Lower Vx) Field includes the Vicksburg 10, 11 and 12 reservoirs. Maguire requests that the designated interval for the consolidated field include the Vicksburg 4, 5, 6, 9, 10, 11 and 12 reservoirs. The Vicksburg 9 is not currently included in any field designation. The proposed designated interval for the consolidated field is from 11,280 feet to 13,656 feet as shown on the log of the Sullivan Deep "C" No. 1.

The two fields have been granted commingling authority in two wells in June and July, 2000. Consolidation of the fields will not cause damage in any of the reservoirs. Rock and fluid properties are similar.

Maguire requests that all wells in the consolidated field be permanently classified as gas wells. The three wells in the Ann Mag, East (L. Vx Blainey Sd) Field are the Sullivan Deep "A" Nos. 1, 2 and 3. The Sullivan Deep "A" Nos. 1 and 2 were classified as gas wells on initial completion based on Form G-5. The Sullivan Deep "A" No. 3 was initially classified as a gas well based on PVT analysis. This PVT indicates that a maximum of 6.6% of the hydrocarbon pore space will be occupied by liquid.

The two producing wells in the Ann Mag, East (Lower VX) Field are the Sullivan Deep "C" Nos. 1 and 2. Both wells were classified as gas wells on initial completion based on PVT analysis. In the No. 1 well, the PVT indicates that a maximum of 7.1% of the hydrocarbon pore space will be occupied by liquid. In addition, a sample was obtained from the Vicksburg 9 in the No. 2 well. This zone is not currently included in either of the fields to be consolidated. The PVT for the Vicksburg 9 zone indicates that it also is a single phase gas reservoir at initial completion. For this zone, the maximum hydrocarbon pore space which will be occupied by liquid is 11%.

Maguire requests that an 80 acre density rule with 660'-1,200' well spacing be adopted for the consolidated field. Maguire submitted Forms AOF-1 and AOF-2 for suspension of the allocation formula in the consolidated field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.

2. The Ann Mag, East (L. Vx Blainey Sd) Field was discovered in June 1997 and operates under field rules providing for 80 acre density and 467' - 1,200' well spacing.

3. Maguire operates all three producing wells in the Ann Mag, East (L. Vx Blainey Sd) Field.

4. The Ann Mag, East (Lower Vx) Field was discovered in May 1999 and operates under rules providing for 80 acre density and 660 - 1,320' well spacing.

5. Maguire operates the two producing wells in the Ann Mag, East (Lower VX) Field.

6. The designated interval for the Ann Mag, East (L. Vx Blainey Sd) Field includes the Vicksburg 4, 5 and 6 reservoirs. The designated interval for the Ann Mag, East (Lower Vx) Field includes the Vicksburg 10, 11 and 12 reservoirs.

7. The Vicksburg 9 is not currently included in any field designation.

8. The proposed designated interval for the consolidated field is from 11,280 feet to 13,656 feet as shown on the log of the Sullivan Deep “C” No. 1 and includes the Vicksburg 4, 5, 6, 9, 10, 11 and 12 reservoirs.

9. Rule 10 exceptions have previously been granted for the two fields.

10. Consolidation of the two fields will result in maximum recovery from the fields.

11. Adoption of field rules providing for 80 acre density, 660'-1,200' well spacing and a two factor allocation formula is appropriate for the consolidated field.

12. The Ann Mag, East (L. Vx Blainey Sd) Field, Ann Mag, East (Lower VX) Field and the Vicksburg 9 Wildcat Field are retrograde condensate reservoirs which were single phase gas reservoirs at initial conditions.

13. The maximum percentage of hydrocarbon pore space occupied by retrograde liquid is 6.6% in the Ann Mag (L. Vx. Blainey Sd) Field, 7.1% in the Ann Mag, East (Lower VX) Field, and 11% in the Vicksburg 9 Wildcat Field. This liquid is not mobile.

14. Liquid hydrocarbons produced at the surface from these reservoir are the produce of condensation and should not be classified as crude petroleum oil.

15. With no crude petroleum oil produced from the field, wells in the field should be classified as gas wells.

16. There is a market for 100% of the gas produced from the fields proposed for consolidation.

CONCLUSIONS OF LAW

1. Proper notice was given as required by all applicable codes and regulatory statutes.

2. All things have occurred and been accomplished to give the Commission jurisdiction to decide this matter.

3. The proposed field consolidation, field rules, and suspension of allocation formula will not cause waste or harm correlative rights of mineral owners in the field.

4. Wells in the consolidated Ann Mag, East (Blainey) Field are gas wells based on the definition of a gas well pursuant to Statewide Rule 79 (a) (11) (C).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Ann Mag, East (L. Vx Blainey Sd) Field and the Ann Mag, East (Lower Vx) Field be consolidated into a single new field called the Ann Mag, East (Blainey) Field and that the rules proposed by Maguire be adopted for the consolidated field. It is recommended that all wells in the consolidated field be permanently classified as gas wells and that the allocation formula be suspended in the field.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner