

THE APPLICATION OF KERR-MCGEE OIL & GAS ONSHORE L.P. TO CONSOLIDATE THE BRAULIA, EAST (7455 VICKSBURG), BRAULIA EAST (7900 VICKSBURG), BRAULIA (RINCON 1), BRAULIA (RINCON III) AND BRAULIA (RINCON 5440) FIELDS INTO A NEW FIELD TO BE KNOWN AS BRAULIA, EAST (VICKSBURG CONS.) FIELD AND ADOPT RULES FOR THE BRAULIA, EAST (VICKSBURG CONS.) FIELD, STARR COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: August 7, 2006

Hearing held: August 24, 2006

Appearances

Tim George
John F. Miller

Representing
Kerr-McGee Oil & Gas Onshore, L.P.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Kerr-McGee Oil & Gas Onshore, L.P. ("Kerr-McGee") is requesting that the Braulia, East (7455 Vicksburg), Braulia East (7900 Vicksburg), Braulia (Rincon 1), Braulia (Rincon III) and Braulia (Rincon 5440) Fields be consolidated into a New Field to be known as Braulia, East (Vicksburg Cons.) Field. The requested field rules for the consolidated field are summarized as follows:

1. Designated interval from 5112' to 9784', as shown on the log of the Chapotal Land Co. -A- Lease Well No. 29;
2. 467'-0' well spacing, with 40 acre drilling units; and
3. allocation based 95% on deliverability and 5% per well, with the allocation formula suspended.

DISCUSSION OF THE EVIDENCE

All of the fields in the proposed consolidation are non-associated gas fields, and all are under Statewide Rules, with suspended allocation formulas. The Rincon Fields were developed in the 1960's

and 1980's and have no wells left. All of the Vicksburg wells are operated by Kerr-McGee—four on the proration schedule of the Braulia, East (7455 Vicksburg) Field and three on the proration schedule of the Braulia, East (7900 Vicksburg) Field.

The only well ever in the Braulia (Rincon 5440) Field produced 465 MMCF, the only well ever in the Braulia (Rincon I) Field produced 38 MMCF and the only well ever in the Braulia (Rincon III) Field produced 200 MMCF. The Braulia, East (7455 Vicksburg) Field was discovered in 1983 and had two wells that produced about 600 MMCF before 1988. Since 2005, Kerr-McGee has drilled eight wells to this field. The initial potentials on the new wells ranged from 400 MCFD to 9387 MCFD. The Braulia, East (7900 Vicksburg) Field was discovered in August of 2005, and Kerr-McGee has already drilled 10 wells to this field. The initial test rates in this field ranged from 376 MCFD to 4439 MCFD.

Two of Kerr-McGee's wells have already been downhole commingled without problems in the Braulia, East (7455 Vicksburg) and (7900 Vicksburg) Fields. The proposed designated interval extends from the top of the Rincon at 5112' to the base of the Vicksburg (glide plane or top of the Eocene) at 9784' as shown on the log of Kerr-McGee's Chapotal Land Co. -A- Lease Well No. 29. There are also two Wildcat Vicksburg sandstones shown on the log of this well, at depths of 8900' and 9600'.

This area above the glide plane is complexly faulted. Even wells that are side by side may be completed in different fault blocks. Because of this, the applicant requested that there be no minimum between-well spacing. Several of the new wells are drilled less than 1200' apart but in some cases one has been completed in the Braulia, East (7455 Vicksburg) Field and the nearby well completed in the Braulia, East (7900 Vicksburg) Field. The Rincon and Vicksburg sandstones are shaly and many have low potential. Most of these sandstones cannot be developed economically on their own and several sandstones must be produced together to make an economic well. Kerr-McGee believes that producing all of the Rincon and Vicksburg sandstones together within the proposed interval is a reasonable method to recover the remaining resources. Cross flow should not be problem because all of the sandstones are normally pressured. Downhole commingling will allow reserves to be produced faster and will lower the economic limit of each reservoir allowing the recovery of additional gas.

State statutes require two factors in the allocation formula of a field that combines multiple reservoirs. The proposed allocation formula, based 95% on deliverability and 5% per well, will satisfy statutory requirements for the consolidated field.

FINDINGS OF FACT

1. Notice of this hearing was mailed to Kerr-McGee Oil & Gas Onshore, L.P., the only operator in any of the fields proposed to be consolidated on August 11, 2006.
2. All of the fields in the proposed consolidation are non-associated gas fields, and all are under Statewide Rules, with suspended allocation formulas.
3. The Rincon Fields each had one well and were developed in the 1960's and 1980's.
4. The Braulia, East (7455 Vicksburg) Field had two wells in it between 1983 and 1988 but since 2005, Kerr-McGee has drilled eight new wells in the field.
5. Kerr-McGee has drilled ten wells in the Braulia, East (7900 Vicksburg) Field that was discovered

in 2005.

6. Consolidation of these fields will prevent waste by allowing the recovery of more gas.
 - a. The Rincon and Vicksburg sandstones are shaly and many have low potentials.
 - b. These sandstones cannot be developed economically on their own and several need to be produced together to make an economic well.
 - c. Cross flow should not be problem because all of the sandstones are normally pressured.
 - d. Downhole commingling will allow reserves to be produced faster and will lower the economic limit of each reservoir allowing the recovery of additional gas.
7. The proposed allocation formula, based 95% on deliverability and 5% per well, will satisfy statutory requirements for a field that combines multiple reservoirs.
8. No minimum between-well spacing is necessary.
 - a. This is a complexly faulted area above the glide plane.
 - b. Even wells that are side by side may be completed in different fault blocks.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. The requested field consolidation and proposed field rules will prevent waste, protect correlative rights and promote continued development of the resultant Braulia, East (Vicksburg Cons.) Field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the application of Kerr-McGee Oil & Gas Onshore, LP., for consolidation of the Braulia, East (7455 Vicksburg), Braulia East (7900 Vicksburg), Braulia (Rincon 1), Braulia (Rincon III) and Braulia (Rincon 5440) Fields into a New Field to be known as Braulia, East (Vicksburg Cons.) Field, along with the requested field rules, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner