OIL AND GAS DOCKET NOS. 08-0233101 & 08-0231372

THE APPLICATION OF CHEVRON U.S.A., INC. TO CONSOLIDATE THE EMPEROR (WADDELL) AND QUE SUERTA (SIMPSON) FIELDS INTO A NEW FIELD TO BE KNOWN AS THE EMPEROR (SIMPSON) FIELD AND TO ADOPT TEMPORARY RULES FOR THE EMPEROR (SIMPSON) FIELD, WINKLER COUNTY, TEXAS

COMMISSION CALLED HEARING TO REVIEW THE TEMPORARY FIELD RULES FOR THE QUE SUERTA (SIMPSON) FIELD ADOPTED DECEMBER 20, 2002, UNDER DOCKET NO. 08-0226590, WINKLER COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: November 21, 2002
Hearing held: December 17, 2002

Appearances

	Representing
Brian Sullivan Ryan Michael Ott Travis Flowers	Chevron U.S.A., Inc.
George C. Neale	Camterra Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Chevron U.S.A., Inc., ("Chevron") is seeking to consolidate the Emperor (Waddell) and Que Suerta (Simpson) Fields into a new field to be known as the Emperor (Simpson) Field. The proposed permanent field rules the Emperor (Simpson) Field are summarized as follows:

1. Designated interval between 10,225' and 11,309' as shown on the log of the Chevron S. Halley Lease Well No. 12;

2. 660' minimum lease-line spacing and 1320' between-well spacing;

3. 640 acre density with optional 320-acre units; and

4. allocation based 5% per well and 95% on deliverability, with the allocation formula suspended.

Temporary field rules for the Que Suerta (Simpson) Field were adopted December 20, 2000, under Docket No. 08-0226590, and are summarized as follows:

1. Designated interval from 11,060' to 11,486' as shown on the log of the Maxwell "18" Lease Well No. 1;

2. 660-1320' well spacing;

3. 320 acre gas proration units with 160-acre optional units; and

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

These rules were to be reviewed during June, 2002. A representative of Camterra appeared at the hearing as on observer.

DISCUSSION OF THE EVIDENCE

There are 3 wells in the Que Suerta (Simpson) Field, one operated by Camterra and two by Chevron. This field was discovered at 11,060' by Pogo Producing in 2000 and temporary field rules were adopted December 20, 2000, under Docket No. 08-0226590. The discovery well, now operated by Chevron was the Maxwell "18" Lease Well No. 1.

There are six active and two inactive gas wells in the Emperor (Waddell) Field, all operated by Chevron. The Emperor (Waddell) gas field was discovered at 11,220' in 1960 and field rules specify 660-1320' well spacing and 640-acre proration units. There have been three oil wells in a separate Emperor (Waddell-Oil) Field which was established in 1961 and is on Statewide Rules. Both gas fields to be consolidated are considered as non-associated fields.

The allocation formula in the Que Suerta (Simpson) Field is based on acreage and in the Emperor (Waddell) Field is based 95% on acreage and 5% on deliverability. The allocation formula has been suspended in each field and the applicant wants the allocation formula in the consolidated field to be based 95% on deliverability and 5% per well but remain suspended.

The Emperor field structure is located on the northeast side of a major thrust fault and was first drilled with the Ellenburger as a target. The most prolific formation turned out to be the Devonian and the formations between the Ellenburger and Devonian were largely bypassed until the last few years. The McKee Formation [productive in the Que Suerta (Simpson) Field] and Waddell are the upper two producing formations of the Simpson Group.

The correlative interval in Chevron's S. Halley Well No. 12 extends from the top of the Simpson Group at 10,225' to 11,309' at the top of the Connell Formation (lowermost formation in the Simpson Group. Within this designated section, the top of the McKee Formation is at 10,752' and the top of the Waddell Formation is at 11,078'. The productive intervals in both the McKee and Waddell Formations are the basal sandstones in each formation. These sandstones are cut by southwest trending faults but appear relatively continuous. Some of the newer wells have encountered pressure partially depleted by earlier wells.

The estimated ultimate recoveries of the Chevron wells range from 1 to 4 BCF, based on a dual decline rate. The net pay thickness ranges from 19 to 65' and the porosity from 5 to 8%. The initial

pressure was over 4400 psi and the applicant has assumed an abandonment pressure of 150 psi. The estimated drainage areas range from 302 to 554 acres.

Five wells have already been downhole commingled in both fields under Rule 10 exceptions without problems. The applicant intends to drill new wells and add perforations to its existing wells if this application is approved. Because of the multiple reservoirs included within the proposed designated interval, a two-factor allocation formula is necessary. One based 5% per well and 95% on deliverability is close to the Statewide Rules, and will satisfy statutory requirements.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators of wells in the fields to be consolidated on November 27, 2002.

2. Notice of this hearing to review the field rules in the Que Suerta (Simpson) Field was issued to all operators in the field on December 4, 2002.

3. The Emperor (Waddell) gas field was discovered at 11,220' in 1960, and has six active gas wells, all operated by Chevron.

4. The Que Suerta (Simpson) field was discovered at 11,660' in 2000 and has three gas wells, two operated by Chevron and one by Comterra.

5. Field rules for the Emperor (Waddell) Field specify 640 acre proration units with allocation based on acreage.

6. Field rules for the Que Suerta (Simpson) Field were adopted December 20, 2000, and specify 320 acre proration units with 160 acre optional units and allocation based 95% on acreage and 5% on deliverability.

7. The McKee [producing formation in the Que Suerta (Simpson) Field] and the Waddell are the two upper formations in the Simpson Group.

8. The proposed designated interval extends from 10,225' at the top of the Simpson Group, to 11,309', which is the base of the Waddell Formation, as shown on the log of Chevron's S. Halley Well No. 12.

9. The estimated ultimate recoveries of the Chevron wells range from 1 to 4 BCF, based on a dual decline rate.

10. The initial pressure was over 4400 psi and the estimated drainage areas range from 302 to 554 acres, assuming an abandonment pressure of 150 psi.

11. Wells in both fields have already been downhole commingled without problems.

12. As the designated interval includes multiple, stratigraphic reservoirs, a two factor allocation is required for statutory reasons.

13. Gas allocation based 5% per well and 95% on deliverability will protect correlative rights and will satisfy statutory requirements.

14. Both fields being consolidated have had their allocation formulas suspended.

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 Consolidation of the requested fields will prevent waste and protect correlative rights, while encouraging conservation.

4. The requested field rules for the resultant field, the Emperor (Simpson) Field, 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 requested fields be consolidated into a new field to be known as the Emperor (Simpson) Field. The field rules proposed for the resultant Emperor (Simpson) Field should be adopted, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: January 21, 2003