

OIL AND GAS DOCKET NOS. 02-0259187, 02-0259188, 02-0259189, 02-0259190 AND 02-0259191

THE APPLICATION OF EXTENERGY, LP TO AMEND THE FIELD RULES FOR THE CLIP (FRIO LOWER), CLIP (FRIO UPPER), CLIP (MIOCENE, LOWER), CLIP (VICKSBURG, LOWER), AND CLIP (VICKSBURG, UPPER) FIELDS, GOLIAD COUNTY, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Hearing Date: October 21, 2008

Appearances:

Representing:

Michael McElroy
Mark Yamasaki

Extenergy, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Extenergy, LP requests that the field rules for the Clip (Frio Lower), Clip (Frio Upper), Clip (Miocene, Lower), Clip (Vicksburg, Lower), and Clip (Vicksburg, Upper) Fields be amended to provide for 330'-660' well spacing, 40 acre density and allocation based on 50 percentage acreage and 50 percentage deliverability. Extenergy also requests that the allocation formulas in the fields remain suspended.

After the call of the hearing, Extenergy amended its request to include the original 420 acre gas units with optional 40 acre density. These applications were unopposed and the examiner recommends that the field rules for the subject fields be amended as proposed by Extenergy.

DISCUSSION OF EVIDENCE

The Clip (Frio Lower), Clip (Frio Upper), Clip (Miocene, Lower), Clip (Vicksburg, Lower), and Clip (Vicksburg, Upper) Fields were discovered between October 1959 and May 1969. All of the fields operate under field rules providing for 330'-800' well spacing, 420 acre gas units with optional 160 acre density and allocation based on 100 percentage deliverability. To date, there have been 24 wells drilled that have had 62 completions in the various fields. Extenergy is the only operator in the fields and there are only three producing and five shut-in wells listed on the current proration schedules.

The subject five fields are classic gulf coast fields. The structure is a northeast-southwest trending anticline bounded by a parallel down-to-the-coast fault on the northwest. The fields produce from the Miocene, Frio and Vicksburg sands and have an

average porosity of 25 percentage and an average water saturation 35 percentage. The sands are heterogeneous stacked fluvial sands that exhibit erratic and lenticular characteristics. The Lower Miocene sands occur at an average depth of 1,500 feet to 2,105 feet. The Upper Frio sands occur at an average depth of 2,105 feet to 2,685 feet. The Lower Frio sands occur at an average depth of 2,685 feet to 3,630 feet. The Upper Vicksburg sands occur at an average depth of 3,630 feet to 3,720 feet. The Lower Vicksburg sands occur at an average depth of 3,720 feet to 4,060 feet.

Extenergy performed drainage area calculations on all of the completions in the fields. There were 10 completions in the Clip (Miocene, Lower) Field that have produced 7.8 BCFG or 781 MMCFG per well. The calculated drainage area per completion was 34 acres. There were 7 completions in the Clip (Frio Upper) Field that have produced 2.4 BCFG or 396 MMCFG per well. The calculated drainage area per completion was 60 acres. There were 28 completions in the Clip (Frio Lower) Field that have produced 23.1 BCFG or 826 MMCFG per well. The calculated drainage area per completion was 47 acres. There were 9 completions in the Clip (Vicksburg, Upper) Field that have produced 12.1 BCFG or 1.3 BCFG per well. The calculated drainage area per completion was 50 acres. There were 8 completions in the Clip (Vicksburg, Lower) Field that have produced 8.2 BCFG or 1.0 BCFG per well. The calculated drainage area per completion was 18 acres.

Extenergy has already recompleted two existing wells into zones left behind pipe and drilled two additional wells that are not listed on the proration schedules. The new wells are each averaging approximately 450 MCFGPD with one well producing from the Lower Vicksburg sands and the other well producing from the Upper Vicksburg sands. Based on the success stated above, Extenergy plans to drill additional wells on the proposed optional 40 acre density. Extenergy is also requesting 330'-660' well spacing in conjunction with the optional 40 acre density in each field to allow for flexibility in selecting future drilling locations and recompleting existing wells into other sands behind pipe.

A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. To satisfy State Statutes, Extenergy proposed a two factor allocation formula based on 50 percentage acreage and 50 percentage deliverability. In addition, Extenergy requested that the allocation formulas remain suspended, as there is a 100 percentage market for all the gas produced from the fields.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Clip (Frio Lower), Clip (Frio Upper), Clip (Miocene, Lower), Clip (Vicksburg, Lower), and Clip (Vicksburg, Upper) Fields were discovered

between October 1959 and May 1969.

3. All of the fields operate under field rules providing for 330'-800' well spacing, 420 acre gas units with optional 160 acre density and allocation based on 100 percentage deliverability.
4. Extenergy is the only operator in the fields and there are only three producing and five shut-in wells listed on the current proration schedules.
5. The fields produce from the Miocene, Frio and Vicksburg sands and have an average porosity of 25 percentage and an average water saturation 35 percentage. The sands are heterogeneous stacked fluvial sands that exhibit erratic and lenticular characteristics.
6. Extenergy performed drainage area calculations on all of the completions in the fields and the average drainage area per completion was 42 acres.
7. Extenergy has drilled two additional wells that are not listed on the proration schedules. The new wells are each averaging approximately 450 MCFGPD with one well producing from the Lower Vicksburg sands and the other well producing from the Upper Vicksburg sands.
8. Extenergy plans to drill additional wells on the proposed optional 40 acre density. Extenergy is also requesting 330'-660' well spacing in conjunction with the optional 40 acre density in each field to allow for flexibility in selecting future drilling locations and recompleting existing wells into other sands behind pipe.
9. Allocation based on 50 percentage acreage and 50 percentage deliverability is a reasonable formula which will protect correlative rights.
10. Suspension of the allocation formulas in the fields is appropriate because there is a 100 percentage market for any gas produced from the fields.

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. Amending the field rules for the Clip (Frio Lower), Clip (Frio Upper), Clip (Miocene, Lower), Clip (Vicksburg, Lower), and Clip (Vicksburg, Upper)

Fields is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend the field rules for the Clip (Frio Lower), Clip (Frio Upper), Clip (Miocene, Lower), Clip (Vicksburg, Lower), and Clip (Vicksburg, Upper) Fields as proposed by Extenergy, LP and that the allocation formulas in the fields remain suspended.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner