

OIL AND GAS DOCKET NO. 02-0263917

THE APPLICATION OF DUNE OPERATING COMPANY TO AMEND THE FIELD RULES FOR THE TORO GRANDE (8700 SD) FIELD, JACKSON COUNTY, TEXAS

Heard by: Andres J. Trevino on January 5, 2010

Appearances:

Dale Miller

Representing:

Dune Operating Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Toro Grande (8700 SD) Field were adopted on January 30, 1989 in Docket No. 2-92,575. The rules in effect for the field are summarized as follows:

1. 933'-1,867' well spacing;
2. 320 acre gas units with a maximum diagonal of 6,000 feet;
3. Allocation based on 95% acreage 5% deliverability.

Dune Operating requests that the rules be amended as follows:

1. Designation of the field as the correlative interval from 8,650 feet to 8,830 feet as shown on the log of the L.C.R.A. K.R. Miller Lease Well No. 1;
2. 467'-1,200' well spacing;
3. 40 acre gas units;
4. Allocation based on 95% acreage 5% deliverability, suspend allocation formula, cancel overproduction.

This application was unopposed and the examiner recommends approval of the amendments to the field rules for the Toro Grande (8700 SD) Field as requested by Dune Operating.

DISCUSSION OF THE EVIDENCE

The Toro Grande (8700 SD) Field was discovered in 1984 at a depth of 8,673 feet. The field is a non-associated gas field which has had a total of four completions. Most completions were made between 1984 and 1987. The only producing well currently in the field is the Louis Tittizer Gas Unit No. 1 Well No. 2 now operated by Dune. The other well in the field is temporarily abandoned and is also operated by Dune. Cumulative production from the field is slightly more than 4 BCF of gas and 73,118 BC.

Average porosity of this reservoir is 25.6% and average water saturation is 54.3%, with an average of 35 feet of net pay. Dune estimates that recoverable reserves beneath 40 acres are 1.8 BCF of gas, assuming 80% recovery.

The Louis Tittizer Gas Unit No. 1 Well No. 2 has produced 2.85 BCF of gas. The well has very little current production and is nearly depleted. With an estimated ultimate recovery of 2.85 BCF of gas, the calculated drainage area for the well is 64 acres. The Louis Tittizer Gas Unit No. 1 Well No. 3 produced 848 MMCF of gas prior to being plugged in 1995. This well's drainage area is estimated at 19 acres. The R.K. Miller Gas Unit No. 1 Well No. 2-L produced 403 MMCF of gas prior to being plugged in 1993. This well's drainage area is estimated at 9 acres. The average drainage area for the three wells is 31 acres.

Dune proposes that the field be defined as the correlative interval from 8,650 feet to 8,830 feet as shown on the log of the L.C.R.A. K.R. Miller MNTW Lease Well No. 1. This interval includes the entire 8,700 foot sand section.

Dune requests 467'-1,200' well spacing in conjunction with the 40 acre density. This spacing is standard for 40 acres. Dune also requests that the allocation formula be suspended as there is 100% market demand for the gas and that any over production be cancelled.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Toro Grande (8700 SD) Field was discovered in 1984 at a depth of 8,673 feet. The field is a non-associated gas field which has had a total of four completions.
3. The only well currently producing from the field is the Louis Tittizer Gas Unit No. 1 Well No. 2 operated by Dune.

4. Field rules for the Toro Grande (8700 SD) Field currently provide for 933'-1,867' well spacing, 320 acre density, and allocation based on 95% acreage 5% deliverability.
5. Amending the field rules to provide for 40 acre density is necessary to adequately drain the reserves in the Toro Grande (8700 SD) Field.
 - a. Recoverable reserves beneath 40 acres are 1.8 BCF of gas.
 - b. The estimated ultimate recovery for the Louis Tittizer Gas Unit No. 1 Well No. 2 is 2.85 BCF of gas, resulting in a calculated drainage area of 64 acres.
 - c. The Louis Tittizer Gas Unit No. 1 Well No. 3 produced 848 MMCF of gas prior to being plugged in 1995. This well's drainage area is estimated at 19 acres.
 - d. The R.K. Miller Gas Unit No. 1 Well No. 2-L produced 403 MMCF of gas prior to being plugged in 1993. This well's drainage area is estimated at 9 acres.
 - e. The average drainage area for the three wells is 31 acres.
6. Well spacing a minimum of 467 feet from lease lines and 1,200 feet between wells is the standard spacing associated with 40 acre density.
7. Allocation based on 95% acreage 5% deliverability is a reasonable formula which will protect correlative rights. There is 100% demand for all gas in the field.
8. Cancellation of any overproduction for the subject field will not harm correlative rights.
9. The Toro Grande (8700 SD) Field should be designated as the correlative interval from 8,650 feet to 8,830 feet as shown on the log of the L.C.R.A. K.R. Miller MNTW Lease Well No. 1. This interval includes the entire 8,700 foot sand section.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.

3. Amending the field rules for the Toro Grande (8700 SD) Field is necessary to prevent waste, protect correlative rights, and promote orderly development of the field.
4. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the field rules for the Toro Grande (8700 SD) Field be amended to provide for a designated interval, 467-1,200' well spacing, and 40 acre density.

Respectfully submitted,

Andres J. Trevino
Technical Hearings Examiner