

OIL AND GAS DOCKET NO. 03-0210465

**THE APPLICATION OF GAITHER PETROLEUM CORPORATION TO CONSIDER
TEMPORARY FIELD RULES FOR THE CHOCOLATE BAYOU (L. ANOMALINA)
FIELD, BRAZORIA COUNTY, TEXAS**

Heard by: Margaret Allen, Technical Hearings Examiner
Jeffrey Pender, Hearings Examiner

Procedural history

Application received: October 13, 1995
Protest received: November 30, 1995
Hearing held: January 3, 1996
Proposal for decision circulated to parties: February 20, 1996
Status: Protested

Appearances

	Representing
George C. Neale	Gaither Petroleum Corporation
Steve McKaye	
Fred Sumbera	
Douglas Gaither	
John Soule	Voyager Energy/Elliott Oil & Gas
Donald Clayton	Voyager Energy
Glenn George	Elliott Oil & Gas

EXAMINER'S REPORT AND PROPOSAL FOR DECISION

STATEMENT OF THE CASE

Gaither Petroleum Corporation ("Gaither") is seeking the following temporary field rules for the Chocolate Bayou (L. Anomalina) Field:

1. Correlative interval from 11,444 to 11,454 feet as shown on the log of the Gaither I.P. Farms Well No. 1;

2. 660-1320 foot well spacing;
3. 80 acre gas proration units with maximum diagonal of 3250 feet and 10% tolerance;
4. 100% acreage allocation.

Voyager Energy and Elliott Oil & Gas, who own offsetting leases, protested the application because they believe that it is premature. The protestants also filed a complaint about the discover well location but the complaint was withdrawn subsequent to the hearing. The protestants are still opposed to the proposed Rule 2.

DISCUSSION OF THE EVIDENCE

The only well in the field, Gaither's I.P. Farms Well No. 1, is perforated from 11,444 to 11,454 feet in the Andrau section of the Lower Frio Formation. The Chocolate Bayou field area has numerous lenticular pay sands and the interval from 11,444 to 11,454 feet was approved as a new field in October of 1995. The new field was approved because the bottom-hole pressure of 4807 psi was much higher than other wells at similar depths in the same fault block.

The highest tested rate of production was 5032 MCF/D and cumulative production through December of 1995 was 20,772 BC and 669 MMCF of gas. There has been little decline in production but a plot of the declining flowing tubing pressure indicates that the discovery well may produce about 1.75 BCF on compression. Other techniques indicated an ultimate recovery of 2 BCF, assuming 90% recovery. Examination of the log for the discovery well resulted in an average porosity of 25%, water saturation of 30% and a gross sand thickness of 10 feet. Volumetric calculations using these parameters indicate that there are 1.23 BCF recoverable from underneath 80 acres.

The applicant calculated that the discovery well for the subject field would drain approximately 120 acres if production characteristics stayed the same. The requested well spacing of 660 feet from lease lines and 1320 feet between wells on the same lease is standard for 80 acre proration units. Allocation based on acreage will assign allowable to wells based on the reserves underneath each tract.

The protestants have not yet drilled a well in the field and wants lease line spacing of 467 feet in order to drill their well(s).

EXAMINERS' OPINION

The examiners see no need to delay adoption of field rules on a temporary basis. The rules should be reviewed in 12 months rather than the usual 18 months because the discovery well is declining rapidly. The applicant had no objection to shortening the time until the review field rule hearing.

Lease line spacing of 660 feet is standard for wells on 80 acre units. The protestants admit that the discovery well will drain at least 80 acres and offered no justification for their

proposed 467 foot lease line spacing other than the fact that the discovery well was drilled under Statewide Rules which require minimum lease spacing of 467 feet.

FINDINGS OF FACT

1. Notice was issued to all operators and all offset unleased mineral interest owners offset to the discovery tract on November 10, 1995.
2. A new field discovery to be known as the Chocolate Bayou (L. Anomalina) Field was approved for the Gaither I. P. Farms Well No. 1 in October of 1995.
3. The producing interval occurs between 11,444 and 11,454 feet as shown on the log of the discovery well.
3. Eighty acre proration units are appropriate for temporary field rules.
 - a. Volumetric calculations indicate that there are 1.23 BCF of recoverable reserves underneath 80 acres.
 - b. The discovery well has already produced over 20,000 BC and 670 MMCF of gas.
 - c. The ultimate recovery of the discovery well is expected to be 1.8 to 2 BCF.
4. Standard well spacing for 80 acre units is 660 feet from lease lines and 1320 feet between existing wells on the same lease.
5. Allocation based on acreage will fairly allocate allowable between wells.
6. The reservoir is being depleted rapidly and the rules should be reviewed in twelve months to make certain the rules will maximize recovery.

CONCLUSIONS OF LAW

1. Proper notice was timely issued to persons legally entitled to notice.
2. All things have occurred and been accomplished to give the Commission jurisdiction over the subject matter and the parties.
3. Granting the requested temporary field rules for a period of twelve months will prevent waste, protect correlative rights and promote an orderly development of the reservoir.

EXAMINERS' RECOMMENDATION

Based on the above findings and conclusions, the examiners recommend that the requested temporary field rules be adopted and reviewed in twelve months.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Jeffrey Pender
Hearings Examiner

Date of Commission Action_____