

May 15, 2001

OIL AND GAS DOCKET NO. 03-0228176

THE APPLICATION OF LGDC CORPORATION FOR FIELD RULES IN THE INEEDA (NODOSARIA-2) FIELD, JEFFERSON COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: April 20, 2001

Hearing held: May 15, 2001

Appearances

Dale Miller

Representing

LGDC Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

LGDC requested the following field rules for the Ineeda (Nodosaria) Field:

1. Designated interval from 8600 to 8742 feet as shown on the log of the Brammar Engineering Boyt Lease Well No. 1; and
2. Allocation based 95% on deliverability and 5% per well.

The full field name is the Ineeda (Nodosaria-2) Field and a Nunc Pro Tunc Final Order was necessary to correct the name.

DISCUSSION OF THE EVIDENCE

The Ineeda (Nodosaria-2) Field was approved as a new field in April of 1999. The discovery well was the Boyt No. 1, drilled by Brammar Engineering as a contract driller for LGDC Corporation. The well was perforated between 8726 and 8731 feet and had a maximum test rate of 1427 MCF/D, with a bottom-hole pressure of 3871 psi. Cumulative production is 895 MMCF and 20,000 barrels of condensate.

The currently producing Nodosaria 2 sandstone extends from 8723 to 8742 feet in the Boyt No. 1, and there is a Nodosaria 1 sandstone between 8600 and 8640 feet. Monthly production from the

current perforations has declined to 4800 MCF and LGDC wants to set a plug on top of the Nodosaria 2 perforations and perforate the Nodosaria 1. When the pressure in the two sandstones has equalized, LGDC wants to remove the bridge plug between the two sandstones and downhole commingle them. The requested designated interval for the field, including both the Nodosaria 1 and 2, extends from 8600 to 8742 feet. LGDC may drill additional wells in the area.

Because of the multiple sandstones in the field, a two-factor allocation formula is required for statutory reasons. The formula proposed is close to the Statewide allocation formula, and the applicant is not requesting any changes to the Statewide rules for spacing and density.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the Ineeda (Nodosaria-2) Field and to all offset operators to the discovery tract on May 2, 2001.
2. The Ineeda (Nodosaria-2) Field was discovered in 1999, with the completion of the Boyt Well No. 1, drilled by Brammer Engineering and owned by LGDC.
3. The discovery well has produced 895 MMCF and 20,000 BCF, but current production is only 4800 MCF per month.
4. The Boyt No. 1 was perforated from 8726 to 8731 feet in the Nodosaria 2 sandstone, which extends from 8723 to 8742 feet.
5. The overlying Nodosaria 1 sandstone extends from 8600 to 8640 feet and LGDC wants to set a bridge plug above the current perforations and produce the Nodosaria 1.
6. Both productive sandstones in the proposed designated interval, that extends from 8600 feet to 8742 feet, are part of the same stratigraphic interval and separated by less than 100 feet.
7. After the pressure in the two sandstones equalizes, LGDC intends to downhole commingle the Nodosaria 1 and 2.
8. A field whose designated interval includes multiple reservoirs, such as this one, is required by statute to have a two-factor allocation formula.
9. The proposed allocation formula, based 95% on deliverability and 5% per well, is close to the Statewide allocation formula.

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. The requested field rules will prevent waste, protect correlative rights within the field, and promote orderly development of the reservoirs.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the two requested field rules for the Ineeda (Nodosaria-2) Field be approved, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: June 21, 2001 (Nunc pro Tunc)