

THE APPLICATION OF TEXAKOTA, INC. TO ADOPT TEMPORARY FIELD RULES ON A PERMANENT BASIS FOR THE GUM SLOUGH (YEGUA) FIELD, JASPER COUNTY, TEXAS

Heard by: Donna K. Chandler on June 4, 2008

Appearances:

Dale Miller

Representing:

Texakota, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

On June 13, 2007, the Commission adopted temporary field rules for the Gum Slough (Yegua) Field in Docket No. 03-0251524. The rules adopted are summarized below:

1. Designation of the field as the correlative interval from 9,940 feet to 9,970 feet as shown on the log of the Mixson Land Company Well No. 1;
2. 467' - 1,320' well spacing;
3. 160 acre oil units with 80 acre tolerance;
4. Allocation based on 100% acreage.

Texakota, Inc. requests that the rules be made permanent at this time. The rules would normally not be subject to review until December 2008. The examiner recommends that the rule be made permanent.

DISCUSSION OF EVIDENCE

The Gum Slough (Yegua) Field was discovered in February 2007 upon completion of the Mixson Land Company No. 1 by Texakota, Inc. Texakota completed a second well, the G. L. Williams No. 1, in October 2007. Texakota plans to drill at least one additional well in the field.

The Mixson Land Company No. 1 produced at a rate of 250 BOPD on initial test. Cumulative production from the well is approximately 42,000 BO. The G. L. Williams No. 1 has never produced from the field as it is located off structure.

In the temporary field rule hearing, Texakota had estimated that the Mixson Land Company No. 1 would decline exponentially at 20% and ultimately recover 348,000 BO. Based on the 15 months production available for the well, the decline is only about 5% and estimated ultimate recovery based on the decline is approximately 432,000 BO.

The average porosity of the reservoir is 28% and average water saturation is 55%. With 18 feet of net pay, the recoverable oil beneath 160 acres, assuming 17% recovery, is 435,000 BO. The calculated drainage area for the well is 158 acres.

The designated interval for the Gum Slough (Yegua) Field is from 9,940 feet to 9,970 feet as shown on the log of the Mixson Land Company No. 1. Texakota requests no change to the this interval.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Gum Slough (Yegua) Field was discovered in February 2007 upon completion of the Mixson Land Company No. 1 by Texakota, Inc. It is the only producing well in the field.
3. Rules providing for 160 acre density are appropriate for the Gum Slough (Yegua) Field on a permanent basis.
 - a. Recoverable reserves beneath 160 acres are estimated to be 435,000 BO.
 - b. The estimated ultimate recovery for the Mixson Land Company Well No. 1 is 432,000 BO based on its current 5% decline.
4. The Gum Slough (Yegua) Field should be designated as the correlative interval from 9,940 feet to 9,970 feet as shown on the log of the Mixson Land Company Well No. 1.
5. The current well spacing of 660 feet from lease lines and 1,320 feet between wells is necessary to provide flexibility in development in this field due to its location in national forest lands.
6. Allocation based on 100% acreage is a reasonable method of allocation which will protect the correlative rights of mineral owners in the field.

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. Adoption of the temporary field rules on a permanent basis for the Gum Slough (Yegua) Field is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends adoption of temporary field rules on a permanent basis for the Gum Slough (Yegua) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner