

THE APPLICATION OF MAGNUM PRODUCING, LP TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED GIDDINGS (WILCOX 4500) FIELD, FAYETTE COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: February 9, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale E. Miller

Magnum Producing, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Magnum Producing, LP ("Magnum") requests that a new field designation called the Giddings (Wilcox 4500) Field be approved for its Lehmann et al Lease, Well No. 1, (API No. 42-149-33210). Magnum proposes that the following field rules be adopted for the new field:

1. Designation of the field as the correlative interval from 4,501 feet to 5,120 feet as shown on the log for the Magnum Producing, LP - Lehmann et al Lease, Well No. 1, (API No. 42-149-33210), Fayette County, Texas;
2. Allocation based on 95% potential and 5% per well.

Magnum also requests that any overproduction in the field be canceled.

There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

DISCUSSION OF EVIDENCE

Magnum completed its Lehmann et al Lease, Well No. 1, in May 2010 with perforations in a Wilcox Sand between 4,521.5 feet to 4,523.5 feet. On initial test, the well produced flowing at a maximum rate of 25 BOPD, 517 MCFGPD and 11 BWPD.

The new field designation should be approved for the Lehmann et al Lease, Well No. 1. The nearest comparable Wilcox Sand production is approximately 7,700 feet to the

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northwest in the Big Joe (Wilcox) Field. This field had one producing gas well which produced for one year and was plugged in October 1987. There are three plugged dry holes and a deeper plugged producing well surrounding the one well that produced from the Big Joe (Wilcox) Field. Magnum calculated a virgin bottomhole pressure from fluid levels encountered while swabbing the Lehmann et al Lease, Well No. 1, of 1,811 psi. As a result, Magnum does not believe that any of the plugged wells in and around the Big Joe (Wilcox) Field are in pressure or fluid communication with the new well.

Magnum requests that the correlative interval from 4,501 feet to 5,120 feet as shown on the log for the Magnum Producing, LP - Lehmann et al Lease, Well No. 1, (API No. 42-149-33210), T. Green Survey, A-191, Fayette County, Texas, be designated as the Giddings (Wilcox 4500) Field. This interval includes the entire Wilcox Sand formation which encompasses several separate sand members.

Magnum is requesting the correlative interval as a result of the high initial drilling and completion costs and the limited reserves contributed by each of the individual sands. The initial cost of drilling, completing and stimulating the wellbore in all possible zones within the requested correlative interval is approximately \$591,000. Magnum estimated that the additional cost to complete the wellbore in each of the reservoirs separately after depletion of reserves would be approximately \$32,000. In addition, the delay in the recovery of the reserves from each reservoir would result in the wells becoming less economic, thereby reducing the ultimate recovery.

Magnum also stated that producing the Wilcox sands simultaneously would reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs. Assuming an initial completion in two sands, an economic limit of 1 BOPD and an exponential decline rate of 20% per year, Magnum calculated the incremental reserves to be recovered at approximately 1,636 BO per well.

To satisfy state statutes, Magnum requests that a two factor allocation formula based on 95% potential and 5% per well be adopted for the field. Magnum also requests that any overproduction in the field be canceled.

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. Magnum completed its Lehmann et al Lease, Well No. 1, in May 2010 with perforations in a Wilcox Sand between 4,521.5 feet to 4,523.5 feet. On initial test, the well produced flowing at a maximum rate of 25 BOPD, 517 MCFGPD and 11 BWPD.
3. The Lehmann et al Lease, Well No. 1, is entitled to a new field designation.

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- a. The nearest comparable Wilcox Sand production is approximately 7,700 feet to the northwest in the Big Joe (Wilcox) Field. This field had one producing gas well which produced for one year and was plugged in October 1987.
 - b. There are three plugged dry holes and a deeper plugged producing well surrounding the one well that produced from the Big Joe (Wilcox) Field.
 - c. Magnum calculated a virgin bottomhole pressure from fluid levels encountered while swabbing the Lehmann et al Lease, Well No. 1, of 1,811 psi.
 - d. Based on the bottomhole pressure data, none of the plugged wells in and around the Big Joe (Wilcox) Field are in pressure or fluid communication with the new well.
4. The correlative interval from 4,501 feet to 5,120 feet as shown on the log for the Magnum Producing, LP - Lehmann et al Lease, Well No. 1, (API No. 42-149-33210), T. Green Survey, A-191, Fayette County, Texas, should be designated as the Giddings (Wilcox 4500) Field.
 5. Magnum estimated that the additional cost to complete the wellbore in each of the reservoirs separately after depletion of reserves would be approximately \$32,000. In addition, the delay in the recovery of the reserves from each reservoir would result in the wells becoming less economic, thereby reducing the ultimate recovery.
 6. Assuming an initial completion in two sands, an economic limit of 1 BOPD and an exponential decline rate of 20% per year, Magnum calculated the incremental reserves to be recovered at approximately 1,636 BO per well.
 7. Allocation based on 95% potential and 5% per well will protect correlative rights.

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. Approval of the requested new field designation and adoption of Field Rules for the Giddings (Wilcox 4500) Field and cancellation of any overproduction

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will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends approval of the new field designation and adoption of Field Rules for the Giddings (Wilcox 4500) Field and cancel any overproduction, as requested by Magnum Producing, LP.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner