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OIL AND GAS DOCKET NO. 04-0225598

APPLICATION OF COASTAL OIL & GAS CORPORATION TO CONSIDER FIELD RULES FOR THE GRUY (WILCOX) AND GRUY (WILCOX FB-2) FIELDS, DUVAL COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: August 29, 2000

APPEARANCES:

Jim Cowden, Lawyer
Terry D. Payne

REPRESENTING:

Coastal Oil & Gas Corp

PROTESTANT: none

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unprotested application of Coastal Oil & Gas Corp. for the Commission to consider permanent field rules for the Gruy (Wilcox) and Gruy (Wilcox FB-2) Fields that provide for:

1. The entire correlative interval from 14,085' to 14,266' subsurface depth as shown on the Computer Processed log of the Getty Oil Co., V.K. Gruy Lease Well No. 1, in the A.B.& M. Survey, A-24, Duval County, Texas be recognized and designated as the Gruy (Wilcox) Field; and

The entire correlative interval from 13,740' to 13,890' subsurface depth as shown on the Computer Processed log of the Texaco E&P Inc, V.K. Gruy Lease Well No. 2, in the A.B.& M. Survey, A-157, Duval County, Texas be recognized and designated as the Gruy (Wilcox FB-2) Field
2. Minimum well spacing of 467'/933' (lease line/between well),
3. 40 acre drilling units, no proration unit designation;
4. An allocation formula based on 95% deliverability and 5% per well.

DISCUSSION OF THE EVIDENCE

The Gruy (Wilcox) Field was discovered in 1985 at an approximated depth of 14,100' subsurface. The discovery well, the Texaco E&P Inc., V.K. Gruy Well No. 1 is the only well that has ever produced from the field. Cumulative production for the well is 5.7 BCF of gas with a current producing rate of 600 MCFD. The entire correlative interval from 14,085' to 14,266' subsurface depth as shown on the Computer Processed log of the Getty Oil Co., V.K. Gruy Lease Well No. 1, in the A.B.& M. Survey, A-24, Duval County, Texas be recognized and designated as the Gruy (Wilcox) Field.

The Gruy (Wilcox FB-2) Field was discovered in 1995 at an approximated depth of 13,750' subsurface. The discovery well, the Texaco E&P Inc., V.K. Gruy Well No. 2 is the only well that has ever produced from the field. Cumulative production for the well is 730 MMCF of gas with a current producing rate of 200 MCFD. The entire correlative interval from 13,740' to 13,890' subsurface depth as shown on the Computer Processed log of the Texaco E&P Inc, V.K. Gruy Lease Well No. 2, in the A.B.& M. Survey, A-157, Duval County, Texas be recognized and designated as the Gruy (Wilcox FB-2) Field.

Coastal has recently acquired the subject wells from Texaco E&P. Further Coastal has been actively developing reservoirs in this area of Duval County. This includes numerous Muy Grande Wilcox Fields. This area of Wilcox Formation accumulations in this part of Duval County are the result of reservoir structural traps against numerous faults creating singular well fault blocks. The Wilcox Formation in the Gruy (Wilcox FB-2) Field was designated as a tight gas sand in April 1996. Data indicates that the drainage area of wells range from 10 to 50 acres. It is therefor proposed that only 40 acre drilling unit requirements be adopted as proration unit acreage requirements would not be reflective of the actual acreage being effected. Minimum well spacing of 467'/933' (lease line/between well) will provide flexibility in locating wells very near structural highs within a fault block.

An allocation formula based on 95% deliverability and 5% per well will provide for the protection of correlative rights.

FINDINGS OF FACT

Based on the evidence presented, the examiner proposes the following findings:

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.

3. The Gruy (Wilcox) Field was discovered in 1985 at an approximated depth of 14,100' subsurface. The discovery well, the Texaco E&P Inc., V.K. Gruy Well No. 1 is the only well that has ever produced from the field.
4. The Gruy (Wilcox FB-2) Field was discovered in 1995 at an approximated depth of 13,750' subsurface. The discovery well, the Texaco E&P Inc., V.K. Gruy Well No. 2 is the only well that has ever produced from the field.
5. The entire correlative interval from 14,085' to 14,266' subsurface depth as shown on the Computer Processed log of the Getty Oil Co., V.K. Gruy Lease Well No. 1, in the A.B. & M. Survey, A-24, Duval County, Texas be recognized and designated as the Gruy (Wilcox) Field.
6. The entire correlative interval from 13,740' to 13,890' subsurface depth as shown on the Computer Processed log of the Texaco E&P Inc, V.K. Gruy Lease Well No. 2, in the A.B. & M. Survey, A-157, Duval County, Texas be recognized and designated as the Gruy (Wilcox FB-2) Field.
7. This area of Wilcox Formation accumulations in this part of Duval County are the result of reservoir structural traps against numerous faults creating singular well fault blocks.
8. The proposed minimum well spacing, 467'/933' (leaseline/between well) is necessary to provide for flexibility in locating wells in this area.
9. An allocation formula based on 95% deliverability and 5% per well will provide for the protection of correlative rights.
10. Data indicates that the drainage area of wells range from 10 to 50 acres. Forty (40) acre drilling unit requirements should be adopted as proration unit acreage requirements would not be reflective of the actual acreage being effected.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed fields rule will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field rules for the Gruy (Wilcox) and Gruy (Wilcox FB-2) Fields.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel