

November 15, 2000

**OIL AND GAS DOCKET NO. 04-0226495**

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**APPLICATION OF COASTAL OIL & GAS CORPORATION FOR PERMANENT FIELD RULES FOR THE JEFFRESS, NE. (VICKSBURG L) FILED, HIDALGO COUNTY, TEXAS**

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

**DATE OF HEARING:** November 14, 2000

**APPEARANCES:**

Jim Cowden, lawyer  
Terry Payne

**REPRESENTING:**

Coastal Oil & Gas Corp

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unprotested application of Coastal Oil & Gas Corp. for permanent field rules for the Jeffress, NE. (Vicksburg L) Field which provide for:

1. The entire combined correlative interval from 8,514' to 8,730' as shown on the type log of the Coastal Oil & Gas Corp., Severo C. Castillo (Castillo Flores Gas Unit 1) Lease Well No 1 in Porcion 74, Manuel Martinez Survey, A-582, Hidalgo County, Texas should be designated as the Jeffress, NE. (Vicksburg L) Field.
2. Minimum well spacing of 467'/933' (leaseline/between well) with a standard 40-acre drilling unit. No proration unit designation is proposed.
3. A two-factor allocation formula based on 95% deliverability and 5% per well.

The examiner recommends approval of the proposed application.

**DISCUSSION OF THE EVIDENCE**

The Jeffress, NE. (Vicksburg L) Field was discovered by completion of the Greenbriar Operating Company, Castillo-Flores Gas Unit Well No. 1 through perforations from 8,518' to 8,536' subsurface depth in January 1996. The new field designation was approved by the Commission on May 9, 1996 with a designated interval from 8,515' to 8,570' subsurface depth as shown on the type log of the Castillo-Flores GU Well No. 1. Coastal Oil & Gas is the only operator in the field. The Coastal Oil & Gas, Castillo-Flores GU Well No. 5 was completed in May 2000 and the Castillo-

Flores GU Well No. 6 was completed in August 2000. The latter two wells have approval for downhole commingling in the following fields: Jeffress, NE (Vicksburg L), Jeffress (Vicksburg P), Jeffress (Vicksburg Q), Jeffress, NE (Vicksburg T). These wells are prorated in the Jeffress, NE (Vicksburg L) Field. Coastal proposes expanding the designated interval to include all of the Vicksburg L Sand sequence. There will be no change in the top of the interval at 8,514' subsurface depth. It is proposed that the designated base of the interval be lowered from 8,570' to 8,730' subsurface depth. Thus it is proposed that the entire combined correlative interval from 8,514' to 8,730' as shown on the type log of the Coastal Oil & Gas Corp., Severo C. Castillo (Castillo Flores Gas Unit 1) Lease Well No 1 in Porcion 74, Manuel Martinez Survey, A-582, Hidalgo County, Texas should be designated as the Jeffress, NE. (Vicksburg L) Field.

The proposed well spacing will provide for the orderly development of the field. Minimum well spacing of 467'/933' (leaseline/between well) is proposed for drilling units as this will allow flexibility in locating wells in the field as well as additional flexibility for subsequent wells on a lease. Numerous other Jeffress Fields in this area, which is a multi-pay area, already provide for identical spacing rules. This is necessary for the prospective downhole commingling permits that will aid in the enhanced recovery of oil and gas from the field area.

The proposed drilling unit designation will insure a density of no more than one well per 40 acres while allowing unrestricted flexibility in not having to allocate specific acreage to a well for proration unit plat purposes. Acreage does not play a role in the allocation formula, hence the designation of a specific acreage/area surrounding a well is not harmful to the protection of correlative rights.

Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

### **FINDINGS OF FACT**

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

1. Notice of this hearing was sent to all affected persons in the subject area field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Jeffress, NE. (Vicksburg L) Field was discovered by completion of the Greenbriar Operating Company, Castillo-Flores Gas Unit Well No. 1 through perforations from 8,518' to 8,536' subsurface depth in January 1996.

- a. Coastal Oil & Gas is the only operator in the field with three wells.
  - b. The new field designation was approved by the Commission on May 9, 1996 with a designated interval from 8,515' to 8,570' subsurface depth as shown on the type log of the Castillo-Flores GU Well No. 1.
4. The entire combined correlative interval from 8,514' to 8,730' as shown on the type log of the Coastal Oil & Gas Corp., Severo C. Castillo (Castillo Flores Gas Unit 1) Lease Well No 1 in Porcion 74, Manuel Martinez Survey, A-582, Hidalgo County, Texas should be designated as the Jeffress, NE. (Vicksburg L) Field.
  5. The proposed well spacing will provide for the orderly development of the field.
    - a. Minimum well spacing of 467'/933' (leaseline/between well) is proposed for drilling units as this will allow flexibility in locating wells in the field as well as additional flexibility for subsequent wells on a lease.
    - b. Numerous other Jeffress Fields in this area, which is a multi-pay area, already provide for identical spacing rules.
  6. The proposed drilling unit designation will insure a density of no more than one well per 40 acres while allowing unrestricted flexibility in not having to allocate specific acreage to a well for proration unit plat purposes.
  7. Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
    - a. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

**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. Adoption of the proposed field rules 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 Jeffress, NE (Vicksburg L) Field.

Respectfully submitted,

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