

**THE APPLICATION OF MILAGRO EXPLORATION, LLC FOR EXPANSION OF THE CORRELATIVE INTERVAL, ADOPTION OF A TWO FACTOR ALLOCATION FORMULA AND PERMANENT GAS WELL CLASSIFICATION FOR ALL WELLS IN THE W. E. COLSON (VX. BINGO) FIELD, BROOKS COUNTY, TEXAS**

---

**Heard by:** Donna K. Chandler on December 8, 2008

**Appearances:**

David Klatt

David Triana

**Representing:**

Milagro Exploration, LLC

Atasca Resources Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Milagro Exploration, LLC requests that the following rules be adopted for the W. E. Colson (Vx. Bingo) Field:

1. Designation of the field as the correlative interval from 9,754 feet to 11,185 feet as shown on the log of the Palo Blanco Gas Unit No. 6;
2. Allocation based on 95% deliverability and 5% per well, with AOF status;

Milagro also requests that all wells in the field be permanently classified as gas wells.

This application was unopposed and the examiner recommends that the field rules be adopted as proposed by Milagro, including permanent gas well classification for all wells in the field.

**DISCUSSION OF EVIDENCE**

The W. E. Colson (Vx. Bingo) Field was discovered in 1995 and is a non-associated gas field. The field operates under Statewide Rules and is AOF status. There are seven producing wells in the field and cumulative production from the field is 6.5 BCF of gas.

The discovery well for the field was the Flack Gas Unit No. 1, with perforations in the Vicksburg 5. The interval designated on the Form P-7 for the new field approval was from 10,433 to 10,506 feet. There was one additional well drilled in 1995 and no additional wells until 2007. These later wells have been completed in the Vicksburg 5, 6, 7 and 8. Milagro requests that the W. E. Colson (Vx. Bingo) Field be defined as the correlative interval from 9,754 feet to 11,185 feet as shown on the log of the Palo Blanco Gas Unit No. 6. This interval includes the Vicksburg 3 thru Vicksburg 10 sands. Because this interval includes several separate sands, a two factor allocation formula is required to meet statutory requirements. Milagro requests that the allocation formula be based on 95% deliverability and 5% per well, but that the AOF status for the field be continued.

Milagro presented bottom hole pressure data for the Vicksburg 5, 6, 7 and 8 sands. All of the sands are geo-pressured with gradients ranging from 0.73 psi/ft to 0.90 psi/ft. Gas analyses from the same four sands indicates similar composition. It is expected that all zones within the proposed consolidated interval will have similar pressures and characteristics.

PVT data are available for several of the subject Vicksburg sands. The condensate saturations and the  $C_{7+}$  (heptanes plus) percentages indicate that the retrograde condensate liquids are not mobile in the reservoir and therefore could not be considered as crude petroleum oil under the definition of a gas well. Because the available samples were taken from the sands which produce at the lowest gas-oil ratios, it is expected that the other sands, for which PVT data is not available, would have lower condensate saturations and would also meet the definition of a gas well.

#### **FINDINGS OF FACT**

1. Notice of this hearing was given to all affected persons at least ten days prior to the date of hearing. No protests were received.
2. The W. E. Colson (Vx. Bingo) Field was discovered in 1995 and is a non-associated gas field. The field operates under Statewide Rules and is AOF status.
3. There are seven producing gas wells in the field and cumulative production from the field is 6.5 BCF of gas.
4. The W. E. Colson (Vx. Bingo) Field should be defined as the correlative interval from 9,754 feet to 11,185 feet as shown on the log of the Palo Blanco Gas Unit Well No. 6.
  - a. The discovery well for the field was the Flack Gas Unit No. 1, with perforations in the Vicksburg 5.

- b. The interval designated on the Form P-7 for the new field approval was from 10,433 to 10,506 feet in the Flack Gas Unit No. 1.
  - c. After 1995, there were no wells drilled until 2007.
  - d. The later wells have been completed in the Vicksburg 5, 6, 7 and 8 sands.
  - e. The proposed interval includes the Vicksburg 3 thru Vicksburg 10 sands.
  - f. All sands within the proposed interval are geo-pressured with similar reservoir and fluid properties.
5. The field should be permanently classified as non-associated. PVT data for several of the subject Vicksburg sands demonstrate condensate saturations and  $C_{7+}$  percentages indicative of retrograde condensate liquids which are not mobile in the reservoir.
  6. The proposed field interval includes various lenticular sands and a two factor allocation formula is required to meet statutory requirements. Allocation based on 95% deliverability and 5% per well meets statutory requirements.

#### **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. Adopting field rules for the W. E. Colson (Vx. Bingo) Field as proposed by Milagro Exploration, LLC is necessary to prevent waste, protect correlative rights and promote development of the field.
4. Wells in the W. E. Colson (Vx. Bingo) Field are gas wells based on the definition of a gas well pursuant to Statewide Rule 79 (a) (11) (C).

#### **RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends that field rules for the W. E. Colson (Vx. Bingo) Field be adopted as proposed by Milagro Exploration, LLC and that all wells in the field be permanently classified as gas wells.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner