

THE APPLICATION OF CICO OIL AND GAS COMPANY TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) LA COYOTA (QUEEN CITY) FIELD, STARR COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on April 8, 2010

Appearances:

Dale E. Miller
Dale C. Cheesman

Representing:

Cico Oil and Gas Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cico Oil and Gas Company requests that a new field designation called the La Coyota (Queen City) Field be approved for its Thomas Garcia Well No. 1. Cico also requests that the following rules be adopted for the La Coyota (Queen City) Field:

1. Designation of the field as the correlative interval from 6,365 feet to 7,250 feet as shown on the log of the Thomas Garcia Well No. 1;
2. Allocation based on 95% deliverability and 5% per well.

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

DISCUSSION OF EVIDENCE

Cico Oil and Gas Company completed its Thomas Garcia Well No. 1 in November 2009. The well has one set of perforations in the lower productive sands between 7,210 feet and 7,234 feet. On initial test, the well produced at a rate of 592 MCFD with a GOR 47.2 MCF/BBL. Flowing tubing pressure was 596 psi.

The new field designation should be approved for the Thomas Garcia Well No. 1. There is no comparable production within a 2 ½ mile radius of the Thomas Garcia Well No. 1, as all wells in the area are producing in zones either above the proposed interval or are laterally separated by faulting. Wells in the Sanchez Ranch (Queen City 7300) Field (7,950 feet to the Northwest) had lower initial bottom hole pressures between 4,852 and 5,030 psi than the Thomas Garcia Well No. 1 which encountered virgin pressure of 5,227 psi. Additionally, these wells are currently not producing and have been shut in since 2002. The

difference in initial pressures and the virgin pressure encountered after depletion of the Sanchez Ranch wells is further evidence that the reservoirs of the Sanchez Ranch (Queen City 7300) Field and the Thomas Garcia Well No. 1 are separate and distinct.

Cico requests that the entire correlative interval between 6,365 feet to 7,250 feet in the Thomas Garcia Well No. 1 be considered a single field. This interval includes the five productive sands. Cico requests to complete and produce the sands simultaneously thereby reducing completion costs and increasing hydrocarbon recovery. Separate completions in the intervals would be less economic as completion costs would be higher and ultimate recovery would be lower.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Cico requests that allocation be based on 95% deliverability and 5% per well for the field.

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. Cico Oil and Gas Company completed its Thomas Garcia Well No. 1 in November 2009 with one set of perforations in the lower sands between 7,210 feet and 7,234 feet. On initial test, the well produced at a rate of 592 MCFD with a GOR 47.2 MCF/BBL.
3. The Thomas Garcia Well No. 1 is entitled to a new field designation because there is no comparable production within a 2½ mile radius of the subject well that is in communication with the well.
4. The entire correlative interval from 6,365 feet to 7,250 feet as shown on the Gamma Ray Log of the Thomas Garcia Well No. 1 should be designated as the La Coyota (Queen City) Field. There are potentially five productive sands within the interval.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single 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. Approval of the requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the La Coyota (Queen City) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner