

THE APPLICATION OF OCEAN ENERGY, INC. TO AMEND THE FIELD RULES FOR THE NAN-SU-GAIL (COTTON VALLEY) FIELD, FREESTONE COUNTY, TEXAS

Heard by: Donna K. Chandler on October 31, 2000

Appearances:

Mike McElroy
Rick Smith
Ben Wilson

Representing:

Ocean Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules currently in effect for the Nan-Su-Gail (Cotton Valley) Field were adopted by Final Order No. 5-80,424, effective October 31, 1983, as amended. The rules are as follows:

1. Designation of the field as the correlative interval from 10,450-12,660 feet as shown on the log of the Eppes "B" No. 1;
2. 660'-1,320' well spacing;
3. 640 acre gas units plus 10% tolerance and a maximum diagonal of 9,500 feet; optional 160 acre units with a maximum diagonal of 4,500 feet;
4. Allocation based on 95% acreage and 5% per well.

Ocean Energy requests that Rule 3 be amended to provide for optional 80 acre units.

This application was unprotected and the examiner recommends that Rule 3 be amended as requested by Ocean.

DISCUSSION OF EVIDENCE

The Nan-Su-Gail (Cotton Valley) Field was discovered in 1981 at a depth of approximately 12,500 feet. There are currently 40 wells producing from the field, more than half of which are operated by Ocean.

The Nan-Su-Gail (Cotton Valley) Field is productive from three zones: the Bossier B, the Hill A and the Hill B. Average porosity of the three zones is 9% and average water saturation is 22%. Ocean calculated drainage area for 31 wells which have produced from the field. Net pay in these 31 wells ranges from 17 to 232 feet. Ultimate recoveries for the wells were estimated from

decline curve analyses. These estimated ultimate recoveries range from 323 MMCF to 4,000 BCF. The calculated drainage areas range from 8 to 157 acres, with an average of 48 acres for the 31 wells.

The field rules for this field were just amended in July 2000, to provide for 160 acre optional rules. This previous hearing was held on the application of Valence Operating Company. Ocean was not an operator at the time of that hearing. Ocean provided the examiner's report from the previous hearing which supports its position that many wells will drain less than 160 acres. The calculated drainage areas for eleven wells in the previous hearings ranged from 12 to 59 acres.

Ocean has an active development plan in the field and plans to drill numerous additional wells which would require Rule 38 exceptions under the current rules.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice.
2. The Nan-Su-Gail (Cotton Valley) Field was discovered in 1981 at a depth of approximately 12,500 feet.
3. Ocean Energy operates more than half of the 40 wells in the field.
4. Field rules currently in effect for the field provide for 640 acre density with optional 160 acre density.
5. Many wells in the Nan-Su-Gail (Cotton Valley) Field will drain less than 160 acres.
 - a. Ocean estimated ultimate recoveries for 31 wells in the field. These estimated ultimate recoveries range from 323 MMCF to 4,000 BCF.
 - b. The calculated drainage areas for the 31 wells range from 8 to 157 acres, with an average of 48 acres.

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. Amending the field rules for the Nan-Su-Gail (Cotton Valley) Field will prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that Rule 3 of the field rules for the Nan-Su-Gail (Cotton Valley) Field be amended to provide for 80 acre optional rules, as proposed by Ocean Energy.

Respectfully submitted,

Donna K. Chandler
Technical Examiner