OIL AND GAS DOCKET NO. 08-0230473

THE APPLICATION OF WESTWIN ENERGY FOR TEMPORARY FIELD RULES IN THE WALKER (PENN DETRITAL) FIELD, PECOS COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: January 23, 2002
Hearing held: March 9, 2002

Appearances

	Representing
Brian Sullivan	Westwin Energy
David Hartman	

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Westwin Energy had asked to have the field name of Indian Mound (Penn Detrital) approved for this field but the New Fields Section of the Railroad Commission approved the name of Walker (Penn Detrital) before the hearing. Westwin is still seeking the following temporary rules for its new field:

1. Designated interval from 7583 to 7625 feet as shown on the log of its McKenzie State '6' Lease Well No. 1;

2. 933-1867 feet well spacing;

3. 320 acre gas proration units with 10% tolerance; and

4. allocation based on acreage.

Westwin would also like to have the allocation formula suspended.

DISCUSSION OF THE EVIDENCE

The Walker (Penn Detrital) Field was discovered in July of 2000, by the completion of the McKenzie State '6' Lease Well No. 1. A second well in the field, the McKenzie '85' Lease Well No. 1, was completed in August of 2000. The original operator had difficulties getting a pipeline connected to these wells and they were sold to Westwin. The two wells are located on a mesa with surface limitations caused by many large wind turbines and archeological sites. The wells began producing in December of 2001 and Well 85-1 has already produced 561 MMCF. The discovery well has produced 127 MMCF of gas.

The initial test rate of the discovery well was 1198 MCF per day and the well is now producing about 2 MMCF per day. The initial test rate of the McKenzie '85' Lease Well No. 1 was 5428 MCF/D, and this well produces about 6.7 MMCF/D, with a high condensate yield. At even higher producing rates, hydrates form which hamper production.

The Pennsylvanian detrital interval is composed of material eroded off the top of the Devonian section. The detrital interval has the same chert lithology as the underlying Devonian but much better permeability. This detrital interval in the discovery well extends from 7583' to 7625' and is perforated between 7595' and 7615'. The Pennsylvanian detrital interval is wide spread in this area but its thickness and porosity are unpredictable. There have been three dry holes drilled around these two producing wells. The prospect was located by 3d seismic but the presence or absence of porosity is hard to detect in advance of drilling.

The two wells in the field are 1653' apart and before producing both had bottom-hole pressures of 3190 psi. Four days after the McKenzie '85' Lease Well No. 1 began flowing 5 MMCF/D, the shut-in bottom-hole pressure in the McKenzie '6' Lease Well No. 1 decreased to 3185 psi. After three more days of production by the McKenzie '85' No. 1, the shut-in bottom-hole pressure in the McKenzie '6' Lease Well No. 1 decreased to 3178 psi. The applicant believes this indicates that these wells will each be able to drain as much as 320 acres if the field covers at least 640 acres. The reservoir is 31' thick in the McKenzie '6' Lease Well No. 1 and 52' thick in the McKenzie '85' Lease Well No. 1. The calculated inter-well permeability is 37 to 61 md.

The applicant is requesting smaller than standard spacing so that any additional wells may be precisely located at the optimal location based on 3d seismic. Allocation based on acreage will protect correlative right if the allocation formula needs to be re-instated. Pioneer, the purchaser of the gas from this field, has a market for 100% of the deliverability of these two wells.

FINDINGS OF FACT

1. Notice of this hearing was mailed to all operators in the field and to all offset operators and unleased mineral interest owners to the discovery tract on February 6, 2001.

2. Notice of this hearing was published in the Fort Stockton Pioneer, a newspaper of general circulation in Pecos County, on March 7, 14, 21 and 28, 2002, and no one protested the application.

3. The discovery well, the McKenzie State '6' Lease Well No. 1, for the Walker (Penn Detrital) Field was completed in July of 2000, but production was not established until December of 2001.

4. A second well was completed in August of 2000, and was put on production at the same time as the discovery well.

5. Cumulative production since December, 2001, is 688 MMCF of gas.

6. Gas proration units of 320 acres are appropriate for temporary field rules.

a. The initial producing rate of the McKenzie State '6' Lease Well No. 1 was 1198 MCF/D, and it is now producing 2 MMCF/D.

b. The initial producing rate of the McKenzie '85' Lease Well No. 1 was 5428 MCF/D, and it is now producing 6.7 MMCF/D.

c. Pressure interference tests show these two wells are in communication over 1650' establishing a minimum radial drainage area of 200 acres.

7. Well spacing of 933-1867 feet will provide extra flexibility in locating wells based on 3d seismic.

8. The Pennsylvanian detrital interval extends from 7583 to 7625 feet as shown on the log of its McKenzie State '6' Lease Well No. 1.

9. Allocation based on acreage will protect correlative rights.

10. The purchaser of gas from the two wells in the field has a market for 100% of the deliverability of the wells.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.

2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.

3. The requested temporary field rules will prevent waste, protect correlative rights within the field, and promote orderly development of the reservoir.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the requested temporary field rules be adopted for the Walker (Penn Detrital) Field, and be reviewed in 18 months.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: April 9, 2002