

OIL AND GAS DOCKET NO. 8A-0252929

THE APPLICATION OF CITATION OIL & GAS CORP. TO AMEND THE FIELD RULES FOR THE NEWSOM (YATES) FIELD, GAINES COUNTY, TEXAS

Heard by: Andres J. Trevino on September 20, 2007

Appearances:

Dale Miller

Representing:

Citation Oil & Gas Corp.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Newsom (Yates) Field were adopted on January 1, 1980 in Docket No. 8A-73,935. The rules in effect for the field are summarized as follows:

1. 660'-1,320' well spacing;
2. 80 acre gas units with a maximum diagonal of 3,250 feet;
3. Allocation based on 100% deliverability.

Citation Oil & Gas requests that the rules be amended as follows:

1. Designation of the field as the correlative interval from 2,828 feet to 3,028 feet as shown on the log of the Exxon-Shell Fee Lease Well No. 7;
2. 330'-660' well spacing;
3. 40 acre gas units and optional 20 acre units;
4. Allocation based on 100% acreage.

This application was unopposed and the examiner recommends approval of the amendments to the field rules for the Newsom (Yates) Field as requested by Citation.

DISCUSSION OF THE EVIDENCE

The Newsom (Yates) Field was discovered in 1974 at a depth of 2,994 feet. The field is a non-associated gas field which has had a total of six completions. All six completions were made between 1974 and 1982. The only producing well currently in the field is the Exxon-Shell Fee No. 7 now operated by Citation. Cumulative production from the field is slightly less than 1 BCF of gas.

Average porosity of this reservoir is 16% and average water saturation is 35%, with an average of 57 feet of net pay. Citation estimates that recoverable reserves beneath 40 acres are 1.8 BCF of gas and recoverable reserves beneath 20 acres are 894 MMCF of gas, assuming 87% recovery.

The Exxon-Shell Fee No. 7 has produced 751 MMCF of gas. The well has exhibited very little decline and remaining recovery for the well is 888 MMCF of gas. With an estimated ultimate recovery of 1.6 BCF of gas, the calculated drainage area for the well is 37 acres. The T. O. Stark No. 23-C produced 603 MMCF of gas prior to workover to another field in 1987. This well's drainage area is estimated at 14 acres.

Citation proposes that the field be defined as the correlative interval from 2,828 feet to 3,028 feet as shown on the log of the Exxon-Shell Fee No. 7. This interval includes the entire Yates section.

Citation requests 330'-660' well spacing in conjunction with the optional 20 acre density. This spacing is standard for 20 acres. Citation also requests that allocation be based on 100% acreage instead of 100% deliverability.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Newsom (Yates) Field was discovered in 1974 at a depth of 2,994 feet. The field is a non-associated gas field which has had a total of six completions.
3. The only well currently producing from the field is the Exxon-Shell Fee No. 7 operated by Citation.
4. Field rules for the Newsom (Yates) Field currently provide for 660'-1,320' well spacing, 80 acre density, and allocation based on 100% deliverability.
5. Amending the field rules to provide for 40 acre/optional 20 acre density is necessary to adequately drain the reserves in the Newsom (Yates) Field.

- a. Recoverable reserves beneath 40 acres are 1.8 BCF of gas and recoverable reserves beneath 20 acres are 894 MMCF of gas.
 - b. The estimated ultimate recovery for the Exxon-Shell Fee No. 7 is 1.6 BCF of gas, resulting in a calculated drainage area of 37 acres.
 - c. The T. O. Stark No. 23-C produced 603 MMCF of gas prior to workover to another field in 1987. This calculated drainage area for this well is 14 acres.
6. Well spacing a minimum of 330 feet from lease lines and 660 feet between wells is the standard spacing associated with 20 acre density.
 7. Allocation based on 100% acreage is a reasonable formula which will protect correlative rights.
 8. The Newsom (Yates) Field should be designated as the correlative interval from 2,828 feet to 3,028 feet as shown on the log of the Exxon-Shell Fee Lease Well No. 7. This interval includes the entire Yates sand.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Amending the field rules for the Newsom (Yates) Field is necessary to prevent waste, protect correlative rights, and promote orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the field rules for the Newsom (Yates) Field be amended to provide for a designated interval, 330-660' well spacing, 40 acre/optional 20 acre density, and allocation based on 100% acreage.

Respectfully submitted,

Andres J. Trevino
Technical Hearings Examiner