



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 03-0302564

THE APPLICATION OF PETROQUEST ENERGY, L.L.C. TO ADOPT PERMANENT FIELD RULES FOR THE ST 186 S1/2 SE1/4 (ROB-L) FIELD (FIELD NO. 85728-500), GALVESTON COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Randall Collins – Administrative Law Judge

HEARING DATE: January 5, 2017

CONFERENCE DATE: February 28, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

George C. Neale
Rick Johnston, P.E.

PetroQuest Energy, L.L.C.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

PetroQuest Energy, L.L.C. ("PetroQuest") seeks to adopt permanent field rules for the ST 186L S1/2 SE1/4 (Rob-L) Field (Field No. 85728 500) (the "Field"). The Field was discovered in 2012, currently operates under Statewide Field Rules, and is located within State waters in the Gulf of Mexico, approximately six miles offshore. PetroQuest requests the following permanent field rules be adopted for the Field:

1. Designate a correlative interval from 5,775 feet to 5,820 feet total vertical depth ("TVD"), as shown on the log of the PetroQuest (Hall-Houston Expl., III, L.P.) S.T. 186-L S/2 SE/4 No. 1 Well, API No. 42-706-30250, GOM ST 186-L, Galveston County, Texas.
2. Establish lease line spacing of 200 feet and between well spacing of 1,320 feet.
3. Establish 320-acre oil units, with a maximum diagonal of 8,000 feet.
4. Establish allocation based on 100% acreage, with a top oil allowable based on the 1965 Offshore Yardstick Allowable.

The application was not protested. The Administrative Law Judge and Technical Examiner (collectively, "Examiners") recommend that the permanent field rules be adopted for the ST 186L S\2 SE\4 (Rob-L) Field, as requested by PetroQuest.

DISCUSSION OF THE EVIDENCE

The Field was discovered in January 2012 at an average depth of 5,802 feet. The Field is currently operating under Statewide Field Rules with a top allowable of 305 barrels of oil per day ("BOPD"). The discovery well, the PetroQuest Energy (Hall-Houston Expl., III, L.P.) S.T. 186-L S/2 SE/4 No. 1 Well ("PetroQuest No. 1 Well"), is the only well in the Field, and PetroQuest is the only operator in the Field.

Since discovery, cumulative production from the Field through October 2016 is 860,605 barrels of oil. The PetroQuest No. 1 Well had an initial potential of 1,067 BOPD. The original oil column shown on the log for the PetroQuest No. 1 Well shows a porosity of approximately 36 percent. The oil has a gravity of 33 degrees. The oil-water contact was at 5,732 feet, and the original gas-oil contact was at 5,694 feet. The designated correlative interval from 5,775 feet to 5,802 feet was requested to encompass the entire Rob L-1 producing sand.

The initial gas to oil ratio ("GOR") was 20,000 standard cubic feet of gas to one barrel of oil ("SCF/BBL"), but the current producing GOR is fairly constant at 500 to 600 SCF/BBL. The constant GOR, an increasing water cut, and the fact that water drive reservoirs are common in this part of Texas demonstrates that the producing reservoir is a water drive reservoir.

PetroQuest has requested 320-acre oil units, one of which should encompass most of the productive acreage, and in turn, drain the majority of oil in the Field with the PetroQuest No. 1 Well. PetroQuest acknowledges that the proposed 320-acre proration unit is geologically driven. However, PetroQuest requested 200 feet lease line spacing to allow wells to get within close proximity of the existing fault, and drill a well directionally to access any oil that might remain upstructure from the PetroQuest No. 1 Well.

PetroQuest also requests that a maximum diagonal be established at 8,000 feet, which is long enough to allow the proposed 320-acre proration unit, which has a diagonal of 7,850 feet.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. No protests were received.
2. The ST 186L S\2 SE\4 (Rob-L) Field was discovered in January 2012 at an average depth of 5,802 feet.
 - a. There is one operator, PetroQuest, with one producing well, the PetroQuest Energy S.T. 186-L S/2 SE/4 No. 1 Well.

- b. Cumulative production from the field through October 2016 is 860,605 barrels of oil.
3. PetroQuest believes that the majority of the oil can be drained with the one producing well in the Field, the PetroQuest Energy S.T. 186-L S/2 SE/4 No. 1 Well.
4. The producing reservoir is a water drive reservoir, and has an average porosity of 36 percent. The oil has a gravity of 33 degrees.
5. A spacing rule which allows for 200 feet lease line spacing will provide flexibility to access any oil that remains upstructure from the existing well.
6. The proposed geologically-driven 320-acre proration unit is appropriate, and will encompass most of the productive formation.
7. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 3.9
3. The proposed field rules will reduce waste, protect correlative rights, and promote the orderly development of the Field.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on February 28, 2017.

EXAMINERS' RECOMMENDATION

Based on the above filings of fact and conclusions of law, the Examiners recommend that the Commission adopt permanent field rules for the ST 186L S\2 SE\4 (Rob-L) Field, as proposed by PetroQuest Energy, L.L.C.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Randall Collins
Administrative Law Judge