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RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

FEBRUARY 28, 2000

OIL AND GAS DOCKET NO. 7B-0223711

ADMINISTRATIVE REVIEW OF TEMPORARY FIELD RULES FOR THE ZACHARY (CANYON SD.) FIELD OF HASKELL COUNTY, TEXAS

REVIEWED BY: CHARLES L. DICKSON,

NOTICE OF INTENT TO REVIEW WAS SENT TO ONE OPERATOR IN THE FIELD ON JANUARY 14, 2000

EXAMINERS REPORT AND RECOMMENDATION STATEMENT OF THE CASE

The Commission established temporary field rules for the Zachary (Canyon Sd.) Field of Haskell County, Texas in Oil and Gas Docket No. 7B-0220000 on September 22, 1998. The field rules were temporary for a period of eighteen months or until the Commission could review the rules.

The current rules are as follows:

1. The entire correlative interval from 2,502 feet to 2,550 feet as shown on the Dual Induction/SFL/Gamma Ray log of the Centaur Petroleum, JBK Lease, Well No. 4, T.D. Owing Survey, Haskell County, Texas shall be designated as a single reservoir for proration purposes and be designated as the Zachary (Canyon Sd.) Field.
2. Minimum well spacing of 330 feet from lease line, and 660 feet between wells,
3. 20 acre oil proration unit with a 1,500 foot diagonal and 10 acre tolerance,
4. Production allocation based on 100% acreage.

Notice of intent to review the rules was provided to one operator in the field on January 14, 2000. Centaur Petroleum was the original operator requesting the temporary field rules and is the only operator in the field today. Centaur has not responded to the notice of review of the rules.

The examiner recommends the rules be made permanent.

DISCUSSION OF THE EVIDENCE

In 1996, Centaur re-entered a Burke Royalty well that had been plugged in 1992. Centaur tested a Canyon sand in the Hisey No. 1 from 2502 to 2550 feet. The well had an initial potential of 48 BOPD with no water.

At the hearing to establish temporary field rules, testimony indicated the reservoir characteristics were a porosity of 21%, water saturation of 48% and a net pay of 8 feet, a formation volume factor of 1.11. The recoverable reserves were estimated to be some 29,000 BO assuming a 30% recovery factor and 20 acre drainage. At the time of the hearing, Centaur had completed four additional wells and the cumulative production from these wells was 74,000 BO through May of 1998.

A review of the current Commission records indicated the following:

Lease	No. Wells	Lease Cum. BO**	Lease Current Rate BOPD
Hisey	1-Producing	6254	5
Lane	1-Producing	8327	5
JBK	2-WIW		
	2-Producing	36949	32
Lane "B"	1-Producing	7583	14
Totals	5-Producing 2-WIW	59113	56

** This cumulative production is from January 1, 1998 through November of 1999. The cumulative production of 74,000 BO through May of 1998 was not broken out by lease. If we assume that the total production from January of 1998 through May of 1998 was 7,000 BO, then the cumulative production from the field to date as been 74,000-7,000 + 59,000 BO or 126,000 BO. The actual cumulative production from an individual well is not available. Averages would say that the seven wells in the field have produced an average of 18,000 BO per well (126,000/7). With the current rates from the 2 producing wells on the JBK lease and the Lane "B" lease, it is very probable that an average well in this field could produce 29,000 BO and drain 20 acres. Therefore it is the opinion of the examiner that the field rules have been justified and should be made permanent.

FINDINGS OF FACT

1. The Commission established temporary field rules for the Zachary (Canyon Sd.) Field of Haskell County, Texas in Oil and Gas Docket No. 7B-0220000 on September 22, 1998. The field rules were temporary for a period of eighteen months or until the Commission could review the rules.
2. The current rules are as follows:
 1. The entire correlative interval from 2,502 feet to 2,550 feet as shown on the Dual Induction/SFL/Gamma Ray log of the Centaur Petroleum, JBK Lease, Well No. 4, T.D. Owing Survey, Haskell County, Texas shall be designated as a single reservoir for proration purposes and be designated as the Zachary (Canyon Sd.) Field.
 2. Minimum well spacing of 330 feet from lease line, and 660 feet between wells,
 3. 20 acre oil proration unit with a 1,500 foot diagonal and 10 acre tolerance,
 4. Production allocation based on 100% acreage.

3. Notice of intent to review the rules was provided to one operator in the field on January 14, 2000. Centaur Petroleum was the original operator requesting the temporary field rules and is the only operator in the field today. Centaur has not responded to the notice of review of the rules.
4. In 1996, Centaur re-entered a Burke Royalty well that had been plugged in 1992. Centaur tested a Canyon sand in the Hisey No. 1 from 2502 to 2550 feet. The well had an initial potential of 48 BOPD with no water.
5. At the hearing to establish temporary field rules, testimony indicated the reservoir characteristics were a porosity of 21%, water saturation of 48% and a net pay of 8 feet, a formation volume factor of 1.11.
6. The recoverable reserves were estimated to be some 29,000 BO assuming a 30% recovery factor and 20 acre drainage.
7. At the time of the hearing, Centaur had completed four additional wells and the cumulative production from these wells was 74,000 BO through May of 1998.
8. A review of the current Commission records indicated the following:

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9. The cumulative production of 74,000 BO through May of 1998 was not broken out by lease.
10. If we assume that the total production from January of 1998 through May of 1998 was 7,000 BO, then the cumulative production from the field to date as been 74,000-7,000 + 59,000 BO or 126,000 BO. The actual cumulative production from an individual well is not available.
11. Averages would say that the seven wells in the field have produced an average of 18,000 BO per well (126,000/7). With the current rates from the 2 producing wells on the JBK lease and the Lane "B" lease, it is very probable that an average well in this field could produce 29,000 BO and drain 20 acres.
12. It is the opinion of the examiner that the field rules have been justified and should be made permanent.

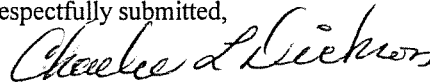
CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission's jurisdiction.
4. Making the temporary rules permanent will prevent waste, will foster conservation and will not harm correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the attached Final Order which recommends that the temporary field rules for the Zachary (Canyon Sd.) Field of Haskell County, Texas be made permanent.

Respectfully submitted,



Charles L. Dickson, P.E.
Permitting Services

Date of Commission Action: 3/21/, 2000