

October 12, 2000

OIL AND GAS DOCKET NO. 02-0226147

THE APPLICATION OF WYNN-CROSBY ENERGY INC. TO CONSIDER STANDING AND, IF STANDING IS GRANTED, FOR CONSOLIDATION OF THE MIKESKA (MASSIVE WILCOX) FIELD INTO THE MIKESKA, SW. (WILCOX 12600) FIELD, LIVE OAK COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: September 18, 2000

Hearing held: October 6, 2000

Appearances

Rick Johnston

Representing
Wynn-Crosby Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Wynn-Crosby Energy is seeking to have the Mikeska (Massive Wilcox) Field consolidated into the Mikeska, SW. (Wilcox 12600) Field. Wynn-Crosby requested standing to consolidate these fields because it is not currently an operator in the Mikeska, SW. (Wilcox 12600) Field. At the hearing it became apparent that the proposed resulting field will include multiple reservoirs and therefor require a two-factor allocation formula. Wynn-Crosby proposed the following two rules:

1. Designated interval from 12,775 to 13,540 feet as shown on the log of the Wynn-Crosby Energy Bonilla No. 1; and
2. Allocation based 95% on deliverability and 5% per well.

The only other operator in either field, Esenjay Exploration, had no objection to the proposed rules for the Mikeska, SW. (Wilcox 12600) Field.

DISCUSSION OF THE EVIDENCE

Rutherford Oil Corporation discovered the Mikeska, SW. (Wilcox 12600) Field in 1982 with the drilling of the Watson Unit Well No. 1. The perforated interval in this well was from 12,610 to

12,616 feet, and it produced 92 MMCF before being abandoned in 1985. The second well placed in the Mikeska, SW. (Wilcox 12600) Field, was the Esenjay Exploration Riser Family Well No. 4 on May 15, 2000. This well is over two miles from the Rutherford discovery well but less than a mile from the discovery well for the Mikeska (Massive Wilcox) Field.

The Mikeska (Massive Wilcox) Field was designated by the Commission on January 2, 2000. The discovery well was the E. Baker Lease Well No. 2, completed by Greenbrier Operating Company. The perforated intervals in this well were from 13,547 to 13,563 feet; from 13,604 to 13,614 feet; and from 13,622 to 13,636 feet. The initial producing rate of this well was 6971 MCF/D and the initial pressure was virgin pressure at 12,506 psi. Greenbrier completed a second well in the Mikeska (Massive Wilcox) Field, the Bonilla No. 1, in January of 2000.

Wynn-Crosby recently bought the two Mikeska (Massive Wilcox) Field wells from Greenbrier and believes that these wells produce from approximately the same sandstones as Esenjay's well. Statewide rules now apply to both fields. Wynn-Crosby wants to add more perforations both higher and lower than the current perforations in the Massive Wilcox of the Bonilla No. 1. The Bonilla No. 1 has a complete log section through the Massive Wilcox and Wynn-Crosby wants to use this well to show the proposed designated interval between 12,775 and 13,540 feet.

The Massive Wilcox interval includes several sandstones separated by shaly sections. Because more than one reservoir is included within this interval a two-factor allocation formula is necessary. Wynn-Crosby requested a allocation formula based 95% on deliverability and 5% per well. A letter was sent to Esenjay on October 12, 2000, to inform it of the proposed field rules. Esenjay was asked to tell the Commission of any objection by October 23 and none was received.

FINDINGS OF FACT

1. On September 1, 2000, notice of this hearing on the proposed field consolidation was given to all operators in the Mikeska, SW. (Wilcox 12600) and Mikeska (Massive Wilcox) Fields.
2. On October 12, 2000, a letter was sent to Esenjay Exploration, the only other operator in either field, stating the field rules proposed for the Mikeska, SW. (Wilcox 12600) Field, and requesting notification of the Commission of any objection by October 23, 2000.
3. The discovery well for the Mikeska, SW. (Wilcox 12600) Field, the Rutherford Watson Unit Well No. 1, was drilled in 1982 and produced 92 MMCF before being abandoned in 1985.
4. Esenjay completed its Riser Lease Well No. 4 in this field in January of 2000, though it is closer to the discovery well for the Mikeska (Massive Wilcox) Field.
5. The discovery well for the Mikeska (Massive Wilcox) Field was the Greenbrier E. Baker No. 2, completed in November of 1999, and Greenbrier added a second well in 2000.
6. Wynn-Crosby purchased the Greenbrier wells and believes that they are producing from the same interval as Esenjay's Riser No. 4.

7. There is no geologic separation between the Mikeska, SW. (Wilcox 12600) Field and the Mikeska (Massive Wilcox) Field.
8. There are several producing sandstones in the Massive Wilcox interval which occurs between 12,775 and 13,540 feet in the Bonilla Well No. 1.
9. A two-factor allocation is required because of the multiple reservoirs in the proposed designated Massive Wilcox interval.
10. An allocation formula based 95% on deliverability and 5% per well is close to the current allocation formula and will meet the statutory requirements.

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. Wells in the Mikeska (Massive Wilcox) Field produce from the same section as current wells in the Mikeska, SW. (Wilcox 12600) Field and should be prorated in the same field.
4. The proposed field rules for the Mikeska, SW. (Wilcox 12600) will protect correlative rights and promote an orderly development of the reservoirs.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Mikeska (Massive Wilcox) Field be consolidated into the Mikeska, SW. (Wilcox 12600) Field and that field rules specifying the designated interval and a two-factor allocation formula for the resulting field be adopted.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: October 25, 2000

EXHIBITS

1. Proration schedule
2. Map
3. New field discovery for Mikeska, Sw (Wilcox 12600) Field
4. New field discovery for Mikeska (Massive Wilcox) Field
5. Form G-1 for Baker No. 2, discovery well
6. Form G-1 for Bonella Well
7. G-1 for Esenjay well
8. Cross section
9. Decline curves
10. Expanded cross section