

OIL AND GAS DOCKET NO. 04-0261532

THE APPLICATION OF GENESIS PRODUCING COMPANY, LP TO CONSOLIDATE VARIOUS COPANO BAY, S. (FB-A) FIELDS INTO A NEW FIELD CALLED THE COPANO BAY, S. (FB-A CONS. G-L) FIELD AND TO ADOPT FIELD RULES FOR THE COPANO BAY, S. (FB-A CONS. G-L) FIELD, ARANSAS COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: May 6, 2009

APPEARANCES:

REPRESENTING:

John Camp
Rick Johnston

Genesis Producing Company, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Genesis Producing Company, LP ("Genesis") requests to consolidate thirteen Copano Bay, S. (FB-A) Fields into a new field to be known as the Copano Bay, S. (FB-A Cons. G-L) Field. The fields proposed for consolidation are as follows:

| <u>FIELD NAME</u> | <u>FIELD NUMBER</u> |
|----------------------------------|----------------------------|
| Copano Bay, S. (FB-A, G, Lower) | 20452 029 |
| Copano Bay, S. (FB-A, H, Upper) | 20452 090 |
| Copano Bay, S. (FB-A, H, Middle) | 20452 072 |
| Copano Bay, S. (FB-A, H, Lower) | 20452 054 |
| Copano Bay, S. (FB-A, H A, Lo.) | 20452 036 |
| Copano Bay, S. (FB-A, I-1) | 20452 104 |
| Copano Bay, S. (FB-A, I-4) | 20452 108 |
| Copano Bay, S. (FB-A, J-1) | 20452 126 |
| Copano Bay, S. (FB-A, J-2) | 20452 144 |
| Copano Bay, S. (FB-A, J-3) | 20452 162 |
| Copano Bay, S. (FB-A, K-2) | 20452 180 |
| Copano Bay, S. (FB-A, K-3,4) | 20452 198 |
| Copano Bay, S. (FB-A, L-2) | 20452 216 |

Genesis requests that the following Field Rules be adopted for the new field:

1. Designated interval from 7,030 feet to 8,480 feet as shown on the log of the Cities Service Company - State Tract 96 Lease, Well No. 2 (API No. 42-007-00591);
2. Well spacing a minimum of 660 feet from lease lines and 1,320 feet between wells;
3. 640 acre gas units and 80 acre oil units;
4. Oil allocation based on salvage and gas allocation based on 95% acreage and 5% per well.

This application was unopposed and the examiner recommends approval of Genesis's request for field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The thirteen Copano Bay, S. (FB-A) Fields were discovered in the 1960's and 1970's. All of the fields are productive from Frio Sands between 7,000 and 8,500 feet. However, there are currently no active wells in any of the fields. Several wells are shut-in with 14B2 extensions and Genesis is the only operator in any of the fields.

Ten of the Copano Bay, S. (FB-A) Fields operate under Field Rules providing for 660'-1,320' well spacing, 640 acre gas units and 80 acre oil units. The other three fields operate under Statewide Rules. Seven fields are non-associated gas fields, four fields are associated gas fields and two fields are oil fields.

There has been no production from any of the fields since December 2008. A total of thirty six completions were made in the various fields and cumulative production from all of the fields is 60.0 BCFG and 4.5 MMBO.

The proposed designated interval for the consolidated field is from 7,030 feet to 8,480 feet as shown on the log of the Cities Service Company - State Tract 96 Lease, Well No. 2 (API No. 42-007-00591). This interval includes the Frio G-Lower through the Frio L-2 sands located in Fault Block A. Some of the sands are Commission designated fields and others are stray sands which have not been designated as fields by the Commission. The sands are stacked against a fault which bounds the fields to the northwest.

Genesis requests that the Field Rules which have governed ten of the fields be adopted for the new field. These rules provide for 660'-1,320' well spacing, 640 acre gas units and 80 acre oil units.

In order to maximize recovery from the various Frio sands, it will be necessary to combine as many zones as possible. Cross-flow between the zones is not expected under producing conditions. Sand production makes single completions/stimulations difficult. Genesis stated that producing all of the Frio reservoirs simultaneously would reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs. Assuming an economic limit of 25 MCFGPD and an exponential decline rate of 10% per year for gas wells, Genesis calculated the incremental reserves to be recovered for each additional reservoir completed in a wellbore to be 91,784 MCFG.

The proposed consolidated field will consist of numerous lenticular sands. A two factor allocation formula based on 5% deliverability and 95% acreage is requested for the consolidated field to meet statutory requirements. Genesis requested that the gas field be classified as associated-prorated and, in addition, the maturity level of the oil fields justify a salvage classification.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The thirteen Copano Bay, S. (FB-A) Fields were discovered in the 1960's and 1970's. Seven fields are non-associated gas fields, four fields are associated gas fields and two fields are oil fields.
3. The proposed designated interval for the consolidated field is from 7,030 feet to 8,480 feet as shown on the log of the Cities Service Company - State Tract 96 Lease, Well No. 2. This interval includes the Frio G-Lower through the Frio L-2 sands located in Fault Block A which are Commission designated fields and other stray sands which have not been designated as fields by the Commission.
4. Ten of the Copano Bay, S. (FB-A) Fields operate under Field Rules providing for 660'-1,320' well spacing, 640 acre gas units and 80 acre oil units. The other three fields operate under Statewide Rules.
5. There are currently no active wells in any of the fields and there has been no production from any of the fields since December 2008. Cumulative production from all of the fields is 60.0 BCFG and 4.5 MMBO from thirty six completions.
6. Field Rules providing for 660'-1,320' well spacing, 640 acre gas units and 80 acre oil units are appropriate for the consolidated field.

7. Consolidation of the fields will result in incremental reserves of 91,784 MCFG to be recovered for each additional reservoir completed in a wellbore.
8. Allocation based 95% acreage and 5% on deliverability will protect correlative rights and satisfy statutory requirements. The maturity level of the oil fields justify a salvage classification.

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. Consolidation of the fields as proposed by Genesis Producing Company, LP is necessary to prevent waste and protect correlative rights.
4. The proposed Field Rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the thirteen Copano Bay, S. (FB-A) Fields be consolidated into a new field to be known as the Copano Bay, S. (FB-A Cons. G-L) Field and that Field Rules be adopted for the consolidated field, as requested by Genesis Producing Company, LP.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner