



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0285580

APPLICATION OF MCGOWAN WORKING PARTNERS, INC., TO AMEND FIELD RULES FOR THE ALIMAR (HOCKLEY "C") FIELD, LIVE OAK COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

DATE OF HEARING: December 17, 2013

APPEARANCES:

Rex H. White, Jr.
Charles G. Johnson

REPRESENTING:

McGowan Working Partners, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of McGowan Working Partners, Inc. (McGowan), to amend field rules for the Alimar (Hockley "C") Field, Live Oak County, Texas. McGowan is seeking to expand the correlative interval to include a previously unknown productive sand. The application is not protested, and the examiners recommend approval.

DISCUSSION OF THE EVIDENCE

Field rules for the Alimar (Hockley "C") Field were established by Commission Final Order in Docket No. 02-0211950 on May 14, 1996. The rules established a correlative interval from 2,751 feet to 2,897 feet as shown on the log of the Katzfey Well No. 1. Field Rule No. 1 goes on to state, "Wells completed in the Alimar (Hockley "C") Field may produce from perforations partially or entirely outside the correlative interval but shall be in a common reservoir with the producing interval of the discovery well of the field."

McGowan acquired two wells in the field in 2011, the Katzfey Well Nos. 1 and 3. These wells produced from the Hockley "C" sand at approximately 2,850 feet MD. Upon taking over operation of these wells, McGowan reworked the wells to move greater amounts of fluid. Also, McGowan drilled the Katzfey No. 4 in an attempt to extend production to the east. The Katzfey No. 4 well did find additional Hockley "C" reserves to

the east, but it also encountered a previously unseen oil sand at a depth of 2,200 feet. The Katzfey No. 4 well produced 160 BOPD and no gas or water. Production has since declined to about 40 BOPD and no gas or water.

The 2,200-foot producing interval was a part of the Jackson-Cole sand series, which are similar to the Hockley sands. Hockley deposits are a sequence of strandplain deposits, and Jackson-Cole sands are shale-dominated with local sand intervals. Upon discovery of the productive Cole sand interval, McGowan began to evaluate appropriate field placement for the well. The 2,200 Cole sand interval in the Katzfey No. 4 well appeared to correlate with an interval that had produced dry gas approximately one-half mile to the north in the Tom Lyne Northeast (Hockley) Field. This well and others in the area established precedents for joining Jackson-Cole and Hockley sands into as a single reservoir for proration purposes. Originally McGowan considered assigning the field to the Tom Lyne, NE (Hockley) Field, but this and other Cole sands were non-associated gas reservoirs, which is not characteristic of the Katzfey No. 4.

The Alimar (Hockley "C") Field is productive only on the Katzfey lease, which is 100 percent owned by McGowan. McGowan requests that the correlative interval for the Alimar (Hockley "C") Field be expanded to accommodate the 2,200 foot sand that McGowan has discovered to be productive of oil on this lease. The proposed correlative interval is 2,170 feet to 2,970 feet. The examiners recommend approval of the amended field rule for the correlative interval.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the hearing.
2. The hearing was not protested.
3. Field rules for the Alimar (Hockley "C") Field were established by Commission Final Order in Docket No. 02-0211950 on May 14, 1996.
4. The correlative interval for the Alimar (Hockley "C") Field is from 2,751 feet to 2,897 feet as shown on the log of the Katzfey Well No. 1.
5. McGowan drilled the Katzfey No. 4 well in an attempt to extend production to the east, encountering a previously unseen oil sand at a depth of 2,200 feet.
6. The Katzfey No. 4 well produced 160 BOPD and no gas or water. Production has since declined to about 40 BOPD and no gas or water from the 2,200 foot sand.

7. The proposed field rules will reduce waste and protect correlative rights.
8. The 2,200-foot producing interval was a part of the Jackson-Cole sand series, which is similar to the Hockely sands.
9. Jackson-Cole and Hockely sands comprise common reservoirs in the area.
10. The proposed correlative interval of 2,170 feet to 2,970 feet will allow McGowan to fully develop the hydrocarbon-bearing strata on its lease, protecting correlative rights and preventing waste

CONCLUSIONS OF LAW

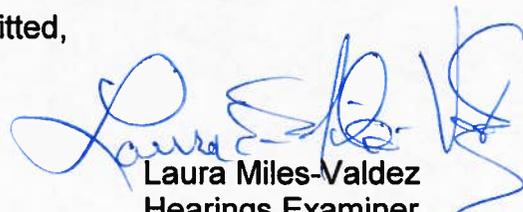
1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. The proposed field rule amendment will prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend amending the proposed field rules for the Alimar (Hockley "C") Field.

Respectfully submitted,


Paul Dubois
Technical Examiner


Laura Miles-Valdez
Hearings Examiner