

THE APPLICATION OF SMITH PETROLEUM COMPANY TO CONSIDER NEW FIELD DESIGNATION AND TEMPORARY FIELD RULES FOR THE PROPOSED MARTHA, EAST (COOK MT. 9225 SD) FIELD, LIBERTY COUNTY, TEXAS

Heard by: Donna K. Chandler on April 5, 2000

Appearances:

James Bostic
Kerry Pollard

Representing:

Smith Petroleum Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Smith Petroleum Company requests that a new field designation be approved for its Governor Bill Daniel No. 1 called the Martha, East (Cook Mt. 9225 Sd) Field. Smith further requests that temporary field rules be adopted for the Martha, East (Cook Mt. 9225 Sand) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 9,184 feet to 9,202 feet as shown on the log of the Governor Bill Daniel No. 1;
2. 1,320' - 2,640' well spacing;
3. 320 acre gas units plus 10% tolerance with a maximum diagonal of 6,500 feet;
4. Allocation based on 100% acreage.

Smith also asks that all overproduction for the Governor Bill Daniel No. 1 be cancelled.

This application was unopposed and the examiner recommends approval of the new field designation and adoption of the temporary field rules proposed by Smith Petroleum Company, subject to review in 18 months. The examiner also recommends cancellation of all overproduction.

DISCUSSION OF EVIDENCE

Smith Petroleum Company completed the Governor Bill Daniel No. 1 in December 2000 with perforations from 9,188 to 9,194 feet. On initial test, the well produced 1,238 MCFD.

There are 74 wells within a 2 ½ mile radius of the Governor Bill Daniel No. 1. The nearest comparable production is the Martha, East (Cook Mt. 9200 Sd) approximately 2,750 feet to the southeast. The Hutcheson No. 1 produced from the Martha, East (Cook Mt. 9200 Sd) Field from 1985 through 1998 when it was plugged and abandoned. The interval from which the Hutcheson No. 1 produced is not present in the Governor Bill Daniel No. 1. However, the productive interval in the Governor Bill Daniel No. 1 is present in the Hutcheson No. 1 but was not completed in that wellbore. The productive interval in the Governor Bill Daniel No. 1 is also present in the Hutcheson No. 2 well, which was plugged as a dry hole due to cementing problems. The Governor Bill Daniel No. 1 encountered virgin pressure of 3,627 psi, confirming that it produces from a separate sand from the Hutcheson No. 1.

Average porosity of this reservoir is 22.8% and average water saturation is 39.1%. Net pay is 10.5 feet. Recoverable reserves beneath 320 acres are 3,062 MMCF of gas. The Governor Bill Daniel No. 1 has produced approximately 1,200 MCFD since initial production on February 1, 2001, with cumulative production of 64,549 MCF through March 31, 2001. Smith believes that the Governor Bill Daniel No. 1 will ultimately recover 3 BCF based on the performance of the Hutcheson No. 1 which produced from a very similar reservoir. The Hutcheson No. 1 only produced 1.025 BCF during its producing life but the reservoir from which it produced was much smaller and did not have 3 BCF available to recover.

Smith requests that all overproduction for the Governor Bill Daniel No. 1 be cancelled.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. Smith Petroleum Company completed the Governor Bill Daniel No. 1 in December 2000 with perforations from 9,188 to 9,194 feet.
3. The Governor Bill Daniel No. 1 is entitled to a new field designation.
 - a. The nearest comparable production in a 2 ½ mile radius is the Martha, East (Cook Mt. 9200 Sd) approximately 2,750 feet to the southeast.
 - b. The Hutcheson No. 1 is the only well which produced from the Martha, East (Cook Mt. 9200 Sd) Field and this well has been plugged and abandoned since 1998 after producing over 1 BCF of gas.

- c. The interval from which the Hutcheson No. 1 produced is not present in the Governor Bill Daniel No. 1.
 - d. The Governor Bill Daniel No. 1 encountered virgin pressure of 3,627 psi, confirming that it produces from a separate sand from the Hutcheson No.
4. The Governor Bill Daniel No. 1 can be expected to drain 320 acres.
 - a. Recoverable reserves beneath 320 acres are 3,062 MMCF of gas.
 - b. The Governor Bill Daniel No. 1 has produced approximately 1,200 MCFD since initial production on February 1, 2001, with cumulative production of 64,549 MCF through March 31, 2001.
 - c. The Governor Bill Daniel No. 1 will likely recover 3 BCF based on the performance of the Hutcheson No. 1 which produced from a very similar reservoir.
 5. Well spacing a minimum of 1,320 feet from lease lines and 2,640 feet between wells is the spacing normally associated with 320 acre density.
 6. Allocation based on 100% acreage is a reasonable formula which will protect the correlative rights of mineral owners in the field.
 7. Cancellation of overproduction for the Governor Bill Daniel No. 1 will not harm correlative rights.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the new field designation and adoption of the proposed field rules for the Martha, East (Cook Mt. 9225 Sd) Field on a temporary basis is necessary to prevent waste, protect correlative rights and promote development of the field.
4. Cancellation of overproduction will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that a new field designation be approved for the Governor Bill Daniel No. 1 called the Martha, East (Cook Mt. 9225 Sd) Field and that the field rules proposed by Smith Petroleum be adopted for the field on a temporary basis, subject to review in 18 months. The examiner further recommends cancellation of overproduction for the Governor Bill Daniel No. 1.

Respectfully submitted,

Donna K. Chandler
Technical Examiner