

OIL AND GAS DOCKET NO. 05-0227394

THE APPLICATION OF SKLAR-TEX L.L.C. FOR NEW FIELD DESIGNATION AND TEMPORARY FIELD RULES FOR THE (PROPOSED) STEELE CREEK (COTTON VALLEY) FIELD, LIMESTONE COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: February 2, 2001
Hearing held: August 30, 2001

Appearances

Philip Patman	Representing
Dale Miller	Sklar-Tex L.L.C.

Philip Whitworth	St. Mary Land & Exploration Company
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EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sklar-Tex is seeking to have its Jackson Lease Well No. 1 designated as the discovery well for a field to be known as Steele Creek (Cotton Valley) Field. Sklar-Tex is proposing the following field rules:

1. Designated interval from 8510 to 9400 feet as shown on the log of the Sklar-Tex Jackson Lease Well No. 1; and
2. allocation based 95% on deliverability and 5% per well.

St. Mary Land & Exploration has completed a well in the same reservoir as the Jackson Well No. 1 and protested the rules that were initially proposed. Sklar-Texas and St. Mary reached a compromise before the hearing and are requesting the rules summarized above.

DISCUSSION OF THE EVIDENCE

The Jackson Lease Well No.1 was completed in the Cotton Valley Formation on June 3, 2000. The well was perforated from 8912 feet to 9134 feet and had an initial deliverability of 822 MCFD and 180 BWPD. Sklar-Tex completed its Jackson No. 2 in November of 2000, and has recently completed its third well in the Cotton Valley. St. Mary has recently completed a well nearby in the same formation.

The top of the Cotton Valley in the discovery well is at 8510 feet and the bottom of the well is at 9400 feet in the Cotton Valley. The Cotton Valley Formation produces from multiple lenticular

sandstones. A two-factor allocation formula is required by statute in fields with multiple lenticular reservoirs. There have been no previous wells within 2-1/2 miles of Well No. 1 completed in the Cotton Valley.

Production from the Jackson No. 1 has been sporadic, and cumulative production is 25 MMCF and 329 BC. The Jackson No. 2 was perforated slightly higher in the Cotton Valley than the No. 1, and the No. 2 has already produced 712 MMCF and 2000 BC. The flowing tubing pressure and production from Well No. 2 have declined enough to indicate that the well's current perforations are depleted. Sklar-Tex believes that this indicates the particular sandstone perforated in the Jackson No. 2 has a limited drainage area, and the operator intends to recomplete the No. 2 to a shallower Cotton Valley sandstone.

FINDINGS OF FACT

1. On April 27, 2001, notice of this hearing was given to all operators in the proposed Steele Creek (Cotton Valley) Field, and to all offset operators to the discovery tract.
2. The discovery well for the proposed Steele Creek (Cotton Valley) Field, the Sklar-Tex Jackson Lease Well No. 1, was completed in the Cotton Valley Formation on June 3, 2000.
3. No previous wells produced from the Cotton Valley Formation within 2-1/2 miles of the Jackson Lease Well No. 1.
4. The Jackson No. 1 was perforated from 9166 to 9184 feet and tested at a rate of 822 MCF per day and 180 BWPD.
5. Sklar-Tex has completed two more wells in the Cotton Valley and St. Mary has finished drilling a well in the same reservoir.
6. The Jackson No. 1 has produced 25 MMCF since completion and the Jackson No. 2 has produced 712 MMCF since November, 2000.
7. The Jackson No. 2 already depleted its current perforations in the Cotton Valley and will be reperfored higher in the Cotton Valley.
8. The top of the Cotton Valley Formation is at 8510 feet as shown on the log of the discovery well and the total depth of this well was at 9400 feet, still in the Cotton Valley Formation.
9. There are multiple, lenticular reservoir sandstones within the Cotton Valley Formation.
10. Allocation based 95% on deliverability and 5% per well will satisfy statutory requirements for two allocation factors.
11. Due to the length of time it took for approval of the new field, production from the wells prior to its designation should not be treated as overproduction.

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. The Cotton Valley Formation in the Sklar-Tex Jackson Lease Well No. 1 is entitled to be considered a new field discovery well as it produces from a reservoir that has not been produced before.
4. The requested field rules will prevent waste, protect correlative rights and promote orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Sklar-Tex Jackson Lease Well No. 1 be considered the discovery well for a new field and that the requested rules for the newly-designated Steele Creek (Cotton Valley) Field be approved. All overproduction for wells in the newly designated field should be canceled.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: September 20, 2001