

Texas Drilling Observer

- **Special Statewide Regional Reporting Service** -
Deep South Texas Region

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Patrick C. Forbis - Editor & Publisher

COVERING THE COUNTIES OF: Aransas, Brooks, Cameron, Duval, Hidalgo, Jim Hogg, Jim Wells, Kenedy, Kleberg, Nueces, San Patricio, Starr, Webb and Zapata



Deep South Texas Region

Headlines

Barnett Shale Development Encroaches on DFW Metroplex as Play Grows by Leaps and Bounds; Spreads South

When early southeast Texas oil wells blew in during the early twentieth century and kicked off the salt dome craze in the area it was known shortly after the discovery well was dug, that a major strike was at hand. Texas' early discoveries with the Lucas #1, Daisy Bradford #3, and Roche #3 marked the beginning of the oil craze at the Spindletop, East Texas, and Sour Lake Fields, respectively, with a bang. The Newark, East (Barnett Shale) Field, now rivaling the Carthage (Cotton Valley) Field as the state's top producing gas field, had a much more modest beginning. The Barnett Shale by no way turned the sleepy towns of Newark, Justin, Rhome or Boyd into the boom towns of old such as Kilgore or Beaumont.

There will never be a comparison between the impact of the Newark, East Field to the profound impact the Southeast Texas salt dome fields or elephant fields in west Texas had on the world economy in the past hundred years. Nor will it compare to the East Texas Field's effect on industry regulation and the Railroad Commission's oversight powers. The Barnett Shale is, however, proving to be a massive, reliable source for natural gas over the long term as monthly production is now consistently in excess of 10 Bcf. Through November of 2001 the field had produced 116.2 Bcf of gas (in 11 months). In 1993 the field produced 10.7 Bcf for the year. Now this elephant gas field is producing more than that figure in less than a month.

The Newark, E. (Barnett Shale) first became a Railroad Commission recognized field in early 1981 when Mitchell Energy Corp. made the first economic completion in the Formation with its C.W. Slay #1, located four miles east of Newark, Texas. This truly could not be considered a "discovery" since the Barnett Shale was known to exist in the Fort Worth Basin for some time. Many wells had been drilled for years in the area to the shallower Boonsville (Bend Congl., Gas) Field or to deeper Viola Limestone intervals, while penetrating the Barnett Shale. The development of the Barnett Shale can truly be considered a function of technology, as modern, much larger, fracture stimulation methods have led to greater

investments by operators in the field to boost its output. The growth of a field based on technological change can create much of the same frenzy a 3,000 bbl per day or 70,000 bbl per day well sunk into a salt dome feature can cause. This phenomenon was greatly illustrated twenty years ago when horizontal drilling techniques gave way to fame of the Lower Cretaceous aged reservoirs in east-central Texas, most notably of which is the Austin Chalk in the Giddings Field.

The discovery well for the Barnett Shale Field, the Slay #1, stimulated the reservoir 210,000 pounds of sand and was not expected to recover more than 380,000 mcf of gas. After producing 500 mcf per month in the mid to late 1990's the field's discovery well was shut-in in August 1998. The well did not produce again until July 2000 when Mitchell reworked the wellbore by adding perforations and putting a larger fracture treatment on it. Since this work was done, the Field's first well has consistently produced near one million cubic feet of gas per day. The discovery well's late 2001 production figures are nearly five fold what its initial deliverability in the Barnett Shale was in 1981. The Slay well has produced over 1/2 Bcf since the well was reworked in August 1998, well over the 380,000 mcf of recovery that was projected for the well's entire life back at a 1989 Commission field rules hearing. This revival of the field's discovery well has occurred after some 1,100 additional wells have tapped the large gas pool which it founded.

Geologically, the Newark, E. (Barnett Shale) Field is a stratigraphic trap

in the Mississippian Barnett Shale of the Ft. Worth Basin. The productive Barnett Shale lies approximately 1,000 feet below the Boonsville (Bend Conglomerate) Field and ranges in gross thickness between 200 and 800 feet, with thickening to the northeast. An excerpt from an examiners report for a 1985 field rules hearing for the Field states the following: "Mitchell pointed out that most of its wells are drilled as dual target wells with the Boonsville (Bend Conglomerate) as the primary objective and the Barnett Shale as a deeper secondary objective.....There is no other comparable production in Texas, however, there is a strong similarity to Devonian Shale production in Appalachian area, predominantly around Virginia, West Virginia and Eastern Kentucky." -(Docket 9-86,394) Obviously, times have changed drastically in the area, as the Newark, East Field is by no means a secondary target to Bend Conglomerate wells. The Newark, East Field is now producing nearly six times the amount of gas per month as the aged Boonsville (Bend Conglomerate) Field. In 1994 there were 121 wells in the Newark, East (Barnett Shale) Field with all but eleven operated by Mitchell covering 260,000 acres in Denton, Wise and Tarrant Counties. As of February 2002, there were some 1,120 wells in the field operated by 33 companies covering seven counties: Wise, Denton, Tarrant, Jack, Palo Pinto, and as far south as Parker and Hood. Just three years ago, at the time of an October 1998 field rules hearing, there were 420 wells in the Newark, East Field with daily production of 97,000 mcf per day. In November 2001, daily production from the field was 369,000 mcf.

1995 - 19,665,947 mcf
1996 - 25,558,493 mcf
1997 - 28,448,496 mcf
1998 - 34,411,286 mcf
1999 - 40,792,803 mcf
2000 - 78,964,234 mcf
2001 - 116,234,469 mcf
 (through November)

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The expanse of the Newark, East (Barnett Shale) Field has also caused action by the City of Fort Worth, which overlies the Barnett Shale Formation, to pass ordinances dealing with drilling gas wells in the city limits of Fort Worth. Those who participated in the development of the drilling ordinances in the late fall of 2001 were representatives of the oil and gas industry, mainly the Texas Alliance of Energy Producers, Mitchell Energy Co. (now Devon Energy) and Chief Oil & Gas, developers, the Railroad Commission, and city staff. Prior to the gas well ordinance, which became effective January 1st, gas well drilling within the city limits of Fort Worth was handled as a zoning issue and required an application for planned development. Once the Barnett Shale play began to spread south, Ft. Worth decided a permit application process should be applied to handle gas well drilling within the city limits. Mitchell and Chief were integral in the drafting of the drilling ordinance. Chief has an application pending under the new ordinance concerning multiple wells (over 20 wells) on a single lease, known as a "blanket gas well permit". Mitchell has already been granted one application pursuant to the new ordinance concerning a location within the city. Mitchell has completed a well within the city limits of Ft. Worth, but approval was granted for this well under the old zoning process. The ordinance requires an applicant to have already received a drilling permit by the Railroad Commission, a \$1,500 application fee and well as other requirements. All applications made under the ordinance must be reviewed by the city's gas inspector. The gas inspector is also in charge of enforcing all restrictions in the ordinance that include: distances wells must be from dwelling, parks, and other public structures, noise level restrictions for drilling and service operations, notice requirements regarding well service and stimulation operations, hours that work on wells can be done, and fencing requirements around drilling and production equipment. The ordinance also requires applicants to post a bond or letter of credit for drilling and production operations as well as liability insurance. These strict requirements regarding drilling in Ft. Worth rep-

resent a vast departure from the lack of regulations and conservation measures in place in the cradle of the oil and gas industry, Texas, during the early 20th century. These ordinances represent the effect when the oilpatch literally comes to town. With a tight blanket formation in the ground, advances in fracture stimulation technology, state and federal regulations in effect thanks to Texas' early black giants, and now city ordinances approved, the Barnett Shale has truly arrived with great benefits to the nation's natural gas supply.

Agency Sets Meetings to Revisit Statewide Rule Eight; Dealing With Fresh Water Protection

Commissioners of the Texas Railroad Commission voted on Thursday to schedule a series of public meetings to receive feedback from industry stakeholders regarding Statewide Rule 8. Railroad Commission Chairman Michael Williams brought the issue before his colleagues at Thursday's conference in an effort to gather industry feedback regarding the ongoing desire on behalf of the Commission to amend Rule 8. This rule can be described as a "catch all" rule for fresh water protection that sets regulations dealing with pits and pit permits, landfarming, pollution control, brine mining, geothermal activities, and oil and gas waste disposal. Statewide Rule 8 has been amended on four different occasions: in 1984, 1992, 1997, and 1998. A major effort was made in the mid to late 1990's to amend Rule 8 to include more stringent fresh water protection provisions. A spokesman for the Chairman told the *Observer* that a good bit of the rulemaking effort will attempt to streamline and simplify the rule, but issues that were considered in the past to strengthen water safety rules will be considered as well. This rulemaking could be considered a combination of streamlining and strengthening fresh water protection regulations. Railroad Commission staff initiated this rulemaking initiative and would have drafted a rule to present to the Commissioners if these public meetings on the rulemaking had not been set. The Commission has set the four workshops on rulemaking regarding Statewide Rule 8 on the following dates and locations: March 11th in Midland, March 12th in Wichita Falls,

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Field Production in 2001 by County (through December):

Wise - 75,022,246 mcf
Denton - 52,956,604 mcf
Tarrant - 3,015,105 mcf
Jack - 26,277 mcf*
Palo Pinto - 12,264 mcf*
Parker - 76,188 mcf*
Hood - 35,836

*- Indicates County where production in the County from the Newark, East Field began after January '01

Field Production Since 1993:

1993 - 10,791,643 mcf
1994 - 14,005,415 mcf

March 14th in Houston, and March 15th in Kilgore.

Williams Gains Approval on Proposal to Initiate Study on Texas' Gathering and Flow Lines

On Thursday, Railroad Commission Chairman Michael Williams gained unanimous support by Commissioners Tony Garza and Charles Matthews to pursue an estimated \$150,000 to perform a study on Texas' 65,000 miles of gathering and flow lines, most of which are undocumented. The Commission currently has no involvement in gathering and flow lines, unless a leak or spill occurs which requires Commission involvement. Even when such a spill or leak occurs the Commission cannot mandate repairs or replacement of the lines or facilities once the spill is cleaned up. Those lines which bring petroleum and other hydrocarbon products from the wellhead to market and help form the infrastructure of oil and gas fields are currently not regulated by the Railroad Commission. Such measures designed to prevent environmental damage could include permitting, construction and maintenance standards. The Texas Sunset Commission stated in its year 2000 report: "The Commission has not assumed authority over almost 43,000 miles of rural gathering lines, but has the statutory authority to bring these rural gathering lines under state regulation." The fact that these rural gathering, transmission, and flow lines are not subject to any safety regulations or oversight has been subject to public scrutiny and Federal and State regulators have been hampered in addressing the issue due to budgetary constraints.

The Commission is hoping to secure the \$150,000 of funds through the Office of Pipeline Safety (OPS), a federal entity, to conduct the study. The OPS conducted a study in the past on the issue of these rural gathering lines in several states, but Texas was not included in the study. A spokesman for Chairman Williams told the *Observer* this week that public and federal interest regarding the threat these rural gathering lines may pose to the environment has brought the issue of studying Texas' gathering lines to the attention of his office. The study is expected to take up to one year and

once complete, the data would be laid out before the Commission as a whole and the agency will then have to decide whether or not to formulate regulations regarding gathering lines. The Chairman's spokesman stated that Williams currently is neutral on the issue of regulating these lines and goes into the study with an open mind. If the Commission decides that these lines need to be brought into the domain of state regulation, the agency would need appropriations from the legislature to perform those oversight duties. According to Chairman Williams' office, the data and results from the study would give the Commission the information it might need to be armed with if the agency deems it necessary to go before the legislature for resources to regulate rural gathering/flow lines.

A Look At The Global Oil Industry After September 11th "Oil imports, an old issue with new circumstances"

**By Railroad Commissioner Charles
R. Matthews**

The events of September 11th have caused our country to look outward regarding energy and the economy. We are examining new and old relationships with countries around the world and taking a fresh look at countries that have economic interests that parallel our own. A major concern that is currently facing the United States is our dependence on foreign oil. Since the Arab embargo of 1973, many political and business leaders in the United States have spoken out about the danger of our heavy dependence on foreign countries for our crude oil supply, which keeps this country running. Most people who have followed this debate are aware that we are now importing almost sixty percent of the 15 million barrels of oil consumed daily in the U.S.

I believe that the new Bush administration is re-examining the problem created by our heavy dependence on foreign oil. Both President Bush and Vice President Cheney have energy backgrounds and a keen appreciation of how necessary a plentiful supply of affordable energy is to our energy-dependent economy. Without a dependable source of energy, this great economic engine that is the U.S. economy will not be able to function properly. A fresh look at the countries that supply most of our oil will help us understand some of the diplomatic moves that are being made by the administration. First, it must be said that Texas has and

will for a very long time, play a major role in producing oil for the country. Even today, Texas produces over one million barrels of oil per day, which represents over twenty percent of the United States domestic production of the daily 5.8 million barrels produced.

During the month of September 2001, the United States imported 9.046 million barrels of oil per day. An examination of our imports by country, provides insights into how international policies and our oil dependency are intertwined. The largest amount came from our own Western Hemisphere, with Mexico bringing in 16%, Canada 14%, Venezuela 11%, and Columbia 2%. These are countries that are our traditional allies. With the possible exception of Venezuela, our country can feel very secure about these supplies. The next group of countries that supply large amounts of imported oil are located in the Persian Gulf, with Saudi Arabia importing 16%, Iraq 13%, and Kuwait 2%. The U.S. relationships with these countries have come into question many times during the last thirty years. Two countries in particular stand out, Saudi Arabia and Iraq. Saudi Arabia stands as a large supply threat, not only because of the age and health of the senior members of the royal family, but also because of the threat of international terrorists. An attack on one of the three major export terminals or a major Saudi pipeline could take over three million barrels of oil per day off the global market. The situation with Iraq is even more problematic as our country is talking about increased economic and military pressure on the political leadership of that country. Currently, Iraq is exporting 2.2 million barrels of oil per day to the global oil market, of that nearly a million comes to the United States.

While the United States does not currently import oil from Russia, that country is becoming a vital player in the world oil market. Russia produces 7.2 million barrels of oil per day, second only to Saudi Arabia's 8.4 million barrels per day. Russia currently concentrates on supplying European and Chinese markets. The primary reason that oil is not imported to the U.S. is due to the high shipping costs. Russian production has an effect on the world supply of oil and its price. For example, in an effort to raise the world price of oil, the OPEC countries cut their production three times during 2001. However, Russia increased its production by

six percent that year. The renewed awareness of these challenges has, in my opinion, caused the Bush Administration to come forward with a National Energy Plan. That plan simply stated is an effort to look at all aspects of the U.S. energy needs and decide what should be done to make sure that we continue to have affordable energy. Let us all hope that Congress will support these efforts.

Railroad Commissioner Charles Matthews was elected to the Commission in 1994 and is the current senior member. In November of 2000, he won re-election to a second term. He serves on the gas committee of the National Association of Regulatory Utility Commissioners. He is currently leading the efforts and discussion to establish a working relationship with Mexico's Energy Regulatory Commission to identify energy regulatory barriers and opportunities available on both sides of the border. Prior to his election, he served as mayor of Garland, the ninth largest city in Texas. In addition, served as Director and President of the Texas Municipal Power Agency.

Texas Railroad Commissioner Charles Matthews supports voluntary clean-up program.

Commissioner Charles Matthews voted on Thursday to publish a new rule regarding voluntary clean up that would give liability protection to future landowners and lenders who undertake the clean up of a former oil field site. "For years, these properties and sites were closed to development because of legal liability," stated Commissioner Matthews. "I believe this new rule will begin encouraging landowners to buy more land and sites, thereby, contributing to the Texas economy through the development of retail, commercial, and residential properties while also eliminating the environmental threat to Texas lands and groundwater."

During the 2001 Legislative session, in Senate Bill 310, the Legislature specifically authorized the Commission to establish a voluntary clean up program. Tomorrow, the Commission will vote to publish a rule that will establish a program to provide an incentive for the remediation of property by removing the liability from de-

velopers, owners and operators who did not cause or contribute to the contamination released at the property. This rule will not establish clean up standards; instead the Commission will enter into a voluntary agreement with an eligible applicant who cleans up the site in accordance to the agreement. The Commission may then issue a certificate evidencing completion of the clean up. Upon issuance of the certificate, the person will be released from state liability for the site covered by the certificate. A person will need to complete an application and submit a \$1000.00 fee to the Commission. "These types of programs should be encouraging to the citizens of Texas," stated Matthews. "With programs like this we are proving that government and business can work together and work to safeguard our environment." For additional information on Commissioner Matthews log onto his website at www.rrc.state.tx.us/commissioners/matthews.

Agency Sets March Allowables for Prorated Gas Fields; Drilling Permits Down for 4th Consecutive Month

Railroad Commission Chairman Michael L. Williams, Commissioner Charles R. Matthews, and Commissioner Tony Garza on Thursday set March 2002 natural gas production allowables for prorated fields in the state to meet market demand of 31,678,141 Mcf (thousand cubic feet). For these fields, the March 2002 allowable represents a decrease of 2,574,782 Mcf when compared to actual production of 34,252,923 Mcf in March 2001. In setting the March 2002 allowable, the Commission used historical production figures from March 2001 and producer forecasts for the March 2002 demand, and then adjusted the figures to account for such factors as well capability, new wells in a field, etc.

There were 685 total drilling permits issued in January 2002, which is down from 1,141 permits issued during the same period last year and down from 697 permits issued during the previous month (December 2001). The January permit figures represent a drop in permit figures for the fourth straight month. The last time monthly permit figures increased over the previous month was in October 2001, when a figure of 857 permits was an increase from 713 permits issued in the previous month of September. Of the permits issued in January

2002, 534 were for new drills and 151 were for recompletions or re-entries. Also, of the 685 figure, 151 were permitted for oil, 231 were for gas, 288 were permitted for oil or gas, and 15 were others. In January 2002 there were 826 completions reported, which is an increase from 805 completions reported during the same period last year and also up from 632 completions reported during the previous month (December 2001). Of the 826 completions in January, 347 were oil well completions, 432 were gas well completions, and 47 were others. Oil completions in January 2002 were as high as they have been at 347 since March 2000, when 454 were reported. The monthly average for oil completions in 2001 was 256.8 completions per month. The 2001 average for gas well completions was 482.25 per month. Working gas in storage for the state of Texas in February 2002 was 269 Bcf, which is up from the 100 Bcf in storage in February 2001, but a decrease from 288 Bcf in January 2002 and down from 323 bcf in December 2001. Nationwide gas in storage as of February 1, 2002 is as follows: 2,056 Bcf in the nation as a whole which is 1,114 Bcf in storage in the consuming east (All states east of the Mississippi River excluding Mississippi, including Iowa, Nebraska, and Missouri), 631 Bcf in the Producing Region (Texas Oklahoma, New Mexico, Kansas, Louisiana, Arkansas, and Mississippi), and 311 Bcf in the consuming west (All states west of the Mississippi River except the Producing Region and Iowa, Nebraska and Missouri). *Data Source: American Gas Association; compiled by Railroad Commission Staff.*

Texas natural gas storage reported by the Commission for January 2002 is 288,099,921 Mcf compared to 107,336,974 Mcf in January 2001. The February 2002 gas storage estimate is 268,617,755 Mcf. Gas well gas from prorated fields accounts for 9 percent of total gas well production in Texas. Preliminary statewide production reported for December 2001 is 30,738,880 barrels of crude oil and 374,979,699 Mcf of gas well gas. The Commission's estimated final production for this month can be obtained by multiplying these preliminary production totals by a production adjustment factor of 1.0532 for crude oil and 1.0938 for gas well gas. (These production totals do not include casinghead gas or condensate.) The next statewide hearing has been scheduled for Thursday, March 21, 2002 at 9:30 a.m.

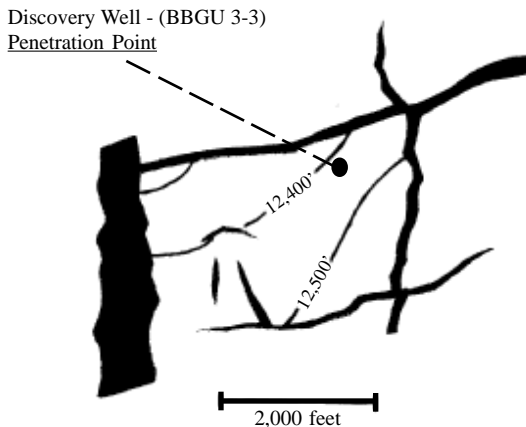
Washington County Gas Well Reports Initial Potential Over 41,000 Mcf Per Day

In the summer of 2001 RME Petroleum Co. completed its Graham Unit #1 in the Navasota River (Cretaceous Lwr.) Field, approximately 1.8 miles southeast of Independence, Texas. The well underwent initial potential testing in late June and reported an initial deliverability of 41,676 mcf of gas per day with no hydrocarbon liquids flowing through a 41/64" choke with a flowing tubing pressure of 3,771 psia. The shut-in wellhead pressure was 7,603 psia and the shut-in bottom hole pressure was 9,093 psia. The well's calculated absolute open flow was 139,819 mcf/d. This well, on the 523.30 acre Graham Unit Lease, is located in the T.S. Saul Survey, Abstract 97. Production is from a perforated 3-1/2" liner set through the horizontal drainhole from 13,312' MD to 18,630' MD (13,290' TVD to 13,697' TVD). Production through the well's first four months was 3,887,787 mcf of gas (6/01, 7/01, 8/01, and 9/01). There was no production on file for October and November. December production was 314,368 mcf, which calculates to an average daily gas rate of 10.14 million cubic feet of gas per day in the month.

New Field Discoveries

Frio Natural Gas Discovery in Kleberg County Reports I.P. Near 40 Million Cubic Feet of Gas Per Day

Map of the Frio Structure
Proposed Baffin Bay (Frio) Field
CI: 100 feet



Located 9.6 miles northeast of the town of Sarita - Kenedy County Texas

Exxon Mobil Corp. has filed a new field discovery application for its Baffin Bay State Gas Unit No. 3 Lease, well No. 3 (API No. 261-31245), proposed Baffin Bay (Frio) Field, located in the "La Parra" A & D de la Garza Survey, Abstract 37. The discovery well was completed on 10-8-2001 and tested over a 24 hr. period (on 10-18-2002): 38,961 mcf of gas per day (0.588 gravity), 101.8

Bbls of condensate per day and 316.4 Bbls of water per day on a 30/64" choke with a flowing pressure of 8,842 psia. After shut-in the well recorded a wellhead pressure of 10,383 psia, a shut-in bottom hole pressure of 13,480 psia, and the bottom hole temperature is 306 degrees F (at 15,356'). The well had a calculated absolute open flow of 101,867 mcf/d. The Wildcat reservoir was fracture stimulated with 1,018,000 pounds of 20/40 Ottawa sand in this completion and the well produces through five sets of perforations from 15,110' to 15,602'. The well encounters the top of the Wildcat Frio Reservoir at 12,900' MD and the base of the reservoir at 15,700' MD. The discovery well was drilled to a total depth of 15,254' TVD (15,900' MD). The nearest production to the subject discovery well is 2,500' to the northwest in the Baffin Bay (Frio Lower) Field (gas production from the interval 12,338' to 13,764') and the nearest comparable production to the subject Wildcat reservoir from the same stratigraphic interval is also from the Baffin Bay (Frio Lower) Field 2,500' away in the St. Tract 65-2 well.

Hearings & Notices of Hearing

El Paso Production Sought New Field Designation in Samano Field Area for Second Rincon Interval

Oil & Gas Docket: 04-0230616
Hearing Date: Wednesday; February 20, 2002
Applicant: El Paso Production Oil & Gas Co.
Protestant: Unprotected
Examiner: Donna Chandler

El Paso Production sought a new field designation in its Samano Lease, Well No. 25 to be known as the Samano (2nd Rincon) Field, Starr County at a Commission hearing on Wednesday. The applicant was requesting that the proposed Samano (2nd Rincon) Field be defined as the correlative interval from 6,790' MD to 7,061' MD as shown on the log of the Samano #25 and that the following special field rules be adopted to govern development of the Samano (2nd Rincon) Field: 467'/933' lease line/between well spacing; 40 acre drilling units; and a two factor allowable allocation formula based on 95% deliverability and 5% per well. El Paso also requested that the Samano #25 be allowed to downhole commingle the proposed Samano (2nd Rincon) Field with the Samano (Massive 7200) Field, Samano (Third Massive) Field, and Samano (Fourth Massive) Field. A number of interested persons attended this hearing. Appearing as El Paso's representative was Attorney James Cowden with the Austin law firm Scott, Douglass & McConnico, LLP. Thorp Petroleum, an operator of wells in the Samano Field area - Massive reservoir series, was represented by Austin attorney David Gross with the law firm of Carroll & Gross. Mr. Gross represented Thorp Petroleum as an intervenor and did question El Paso's expert witness at the hearing. Others attending the hearing as observers were Dan A. Hughes Co. Exploration Manager John Humston and Kerr-McGee Oil & Gas Onshore

Senior Regulatory Analyst Mark Galloway.

HEARING SUMMARY

El Paso Production's only expert witness at the hearing was engineer Terry Payne with the engineering firm of Platt, Sparks & Associates. The Samano #25, the discovery well subject to this new field discovery application, is located in the Antonio Villarreal Survey, Porcion 39, Abstract 279, 16.5 miles east of Rio Grande City, Texas. El Paso completed the Samano #25 on November 28, 2001 and perforated the interval known as the 2nd Rincon from 6,896'-6,974' and 7,004'-7,008'. This same interval was fracture stimulated with 204,300 pounds of proppant. On the 29th of November the well underwent initial potential testing in the form of a four point deliverability test. The highest deliverability point was on a 16/64" choke at 2,260 mcf of gas per day and 48 bbls of condensate per day with a flowing pressure of 4,645 psia. The shut-in wellhead pressure was 4,645 psia and the calculated absolute open flow was 2,945 mcf per day. The well has 10-3/4" surface casing set at 1,516'; 7-5/8" casing set at 6,797' and 4-1/2" casing set at 8,638'. From November 28th through November 30th the Samano #25 produced from the 2nd Rincon interval only, producing between 104 mcf and 1,619 mcf on those four days and 2,068 mcf total with 218 bbls of condensate. The subject well drilled through the deeper Massive intervals, encountering the top of the Massive 7200 interval at 7182', the top of the 3rd Massive at 7770', and the 4th Massive at 7888'. On the first of December El Paso drilled out the plugs, which isolated the 2nd Rincon interval from the deeper Massive intervals and commingled the 2nd Rincon with the Massive 7200, Third Massive, and Fourth Massive intervals. The well is perforated in the Samano (Massive 7200) Field from 7182'-7355', in the Samano (Third Massive) from 7770'-7844', and in the Samano (Fourth Massive) from 7888'-8190'. Once the plugs were drilled out and all four fields were being commingled up the 4-1/2" production casing, the well's producing rates increased to well over 20 million cubic feet of natural gas per day. The well was producing in excess of ten million cubic feet per day until mid January. The most recent production data available (1/28/02) shows that the well is producing 8.6 million cubic feet of gas per day and 460 Bbls of water per day with a much lower flowing tubing pressure of 460 psi. The engineering witness testified that this steep initial production decline is typical of wells in the area which commingle the three Massive intervals. Through January 28th, the Samano #25 had produced 791,576 mcf of gas and 4,608 bbls of condensate.

There are 199 total wellbores within 2-1/2 miles of the Samano #25 well. Numerous wells were drilled to depths that the 2nd Rincon is encountered in the subject discovery well and a number of wells have drilled through the 2nd Rincon interval on El Paso's acreage. However, the subject Samano #25 is the first well to complete in the 2nd Rincon Reservoir. A north-south cross section submitted at the hearing showed that the Yturria Fault defines the northern and west limits of the 2nd Rincon reservoir. The cross section showed that the 2nd Rincon interval is faulted out in the Sun Exploration - M. Samano #15, located approximately 1,200' to the north of Samano #25 and the upper 1st Rincon interval is faulted out in the H. Samano #3 located approximately 4,200' to the north-northwest of the Samano #25. The Sun - M. Samano #15 was completed in the Yturria Field and the H. Samano #3 was completed in the 1st Massive interval, known in the subject Samano Field area as the Massive 7200 reservoir. The western limit of the 2nd Rincon reservoir is proven

by the Samano #20, located approximately 1,000' to the southwest of the discovery well, in which the 2nd Rincon is faulted out by the Yturria fault. The eastern limit of the reservoir is also caused by faulting. The 2nd Rincon interval is faulted out in the E. Samano #28 located approximately 2,500' to the east of the discovery well. The cross section submitted showed that the 2nd Rincon interval, along with the lower Massive intervals, become increasingly updip moving south of the Samano #25 well. The 2nd Rincon Reservoir appears to be open to the south of the discovery well and Mr. Payne testified that recompletion opportunities into the 2nd Rincon may exist in some of El Paso's wells. Four of El Paso's wells on the Samano Lease are currently commingling the three Massive intervals, the #19, #20, #23, and #24, and the commingled production from the four fields in the subject #25 well will be carried in the proposed Samano (2nd Rincon) Field. Utilizing a 15%/year decline rate, 3,000 mcf/month commercial limit, and 750 mcf/month single zone commercial limit, Mr. Payne calculated that incremental recovery on the order of 180,000 mcf per zone will result with approval of the downhole commingling request. A static bottom hole pressure survey indicated a reservoir pressure of 5,099 psia for the discovery well in the 2nd Rincon zone, which is a 0.73 psi/ft pressure gradient.

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Dominion E&P Seeks New Field Designation for Starr County- Basal Queen City Find

Oil & Gas Docket 04-0230688: The Commission will consider the application for Dominion Exploration & Production, Inc. for a new field designation and two-factor allocation formula for the William Bucholtz Lease, Well No. 1, to be known as the Reina (Basal Queen City) Field, Starr County at a hearing set for March 22, 2002 at 9:00 am. Applicant will also request a two factor allowable allocation formula for the proposed field. Any questions regarding this application may be directed to Mr. Steve Towns at (512) 480-9600.

Authority Granted to Commingle Multiple Fields Downhole

*- Listed Hereafter in District Order

Commingling Authority Granted in Bob West Field Area; Starr County; District 4:

■ Approval granted 1-29-2002 to El Paso Production Oil & Gas Co. to downhole commingle the Bob West (L-5-10) Field, Bob West (L-12, 13, 14, 15) Field, Bob West (L-18, 20, 21, 22) Field and Bob West (L-27, 28, 29) Field through the USA 1 Lease, Well No. 12 (API# 427-33228), Starr County pursuant to Statewide Rule 10. For allowable and reporting purposes, this well will be assigned to the Bob West (L-27, 28, 29) Field. *Authority has previously been granted to commingle production downhole from these fields in a single well.*

The well is located 1500' FSEL & 12760 FSWL (river) of the Juan D. Yzaguirre Survey, Porcion 56, Abstract 139; 1.3 miles northwest of Falcon Height, Texas.

The subject well was completed on June 17, 2001 in all of the subject Bob West Fields and tested 3,682 mcf of gas per day on a 48/64" choke with a flowing tubing pressure of 4,415 psia. The well is perforated from 10,788' to 10,814' tvd in the Bob West (L-5-10) Field, 10,973' to 11,299' in the Bob West (L-12, 13, 14, 15) Field, 11,709' to 11,724' in the Bob West (L-18, 20, 21, 22) Field, and 11,948' to 12,172' in the Bob West (L-27, 28, 29) Field. The well's production rate has declined from 2,500 mcf/d in July 2001 with a 750 psi FTP to less than 1,000 mcf/d in mid January with a 170 psi FTP. El Paso calculated that by commingling the zones, incremental recovery is on the order of 180,000 mcf per zone, giving a total incremental recovery from these fields of 720,000 mcf in this well. The estimated daily commingled production is 1,500 mcf.

Intentions to Drill

HIDALGO COUNTY

16.4 MILES NW. OF MISSION, TX
API: 215-32967
OPERATOR: EL PASO PROD. OIL & GAS
LEASE: COATES, G.
WELL #: 3
FIELDS PERMITTED: WILDCAT, JEFFRESS (VICKSBURG T),(VICKSBURG V),(VICKSBURG W), JEFFRESS, NORTH (VICKSBURG, LO.)
SURVEY: JOAQUIN YSIDOR PONCE, PORCION 47, ABSTRACT 69
 467' TO N. SUR. LINE/467' TO W. SUR. LINE
TOTAL DEPTH: 13,700'
 40 ACRE LEASE

HIDALGO COUNTY

18.3 MILES N. OF MISSION, TX
API: 215-32966
OPERATOR: EL PASO PROD. OIL & GAS CO.
LEASE: COOK-CLEMONS GU
WELL #: 9
FIELDS PERMITTED: WILDCAT, MONTE CRISTO, N. (VICKSBURG S),(VICKSBURG T),(VICKSBURG T LO)
SURVEY: VALLEY FARMS SUBD., LOT 85
 ABSTRACT 63
 920' TO S. SUR. LINE/1,275' TO E. SUR. LINE
TOTAL DEPTH: 19,500'
 540 ACRE LEASE

HIDALGO COUNTY

26.5 MILES NNW. OF MISSION, TX
API: 215-32960
OPERATOR: SHELL WESTERN E&P
LEASE: MCALLEN, A.A.
WELL #: 112
FIELDS PERMITTED: WILDCAT, MCALLEN RANCH (VICKSBURG R-3),(VICKSBURG S, S.), (VICKSBURG S, SE.)
SURVEY: MANUEL GOMEZ A-63
 3,610' TO W. SUR. LINE/41,252' TO N. SUR. LINE
TOTAL DEPTH: 13,290'

14,990.76 ACRE LEASE

JIM WELLS COUNTY

2 MILES NNE. OF ORANGE GROVE, TX
API: 249-32408
OPERATOR: TIDAL PETROLEUM, INC.
LEASE: WADE CITY
WELL #: 1
FIELDS PERMITTED: WADE CITY, WADE CITY (2300),(2600)
SURVEY: GEORGE REYNOLDS #6 A-388
 1,275' TO W. SUR. LINE/270' TO N. SUR. LINE
TOTAL DEPTH: 3,000'
 80 ACRE LEASE

NUECES COUNTY

10 MILES SW. OF CORPUS CHRISTI, TX
API: 355-33443
OPERATOR: CREST RESOURCES, INC.
LEASE: CHAPMAN
WELL #: 3402
FIELDS PERMITTED: WILDCAT, MOBIL-DAVID (ANDERSON),(ANDERSON, SEG. -A-), MOBIL-DAVID, W. (ANDERSON)
SURVEY: LAURELES FARM TRACT #38 A-411
 1,707' TO N. SUR. LINE/175' TO W. SUR. LINE
TOTAL DEPTH: 11,500'
 640 ACRE LEASE

NUECES COUNTY

5 MILES S. OF CORPUS CHRISTI, TX
API: 355-33444
OPERATOR: GCEA, LLC
LEASE: JOSEY
WELL #: 1
FIELDS PERMITTED: WILDCAT, BALDWIN (BARNHART),(2400),(2500),(2830 LAGARTO),(2900),(3070),(3070 LAGARTO),(3086),(3150 LAGARTO)
SURVEY: W.B. TERRELL A-794
 510' TO W. SUR. LINE/533' TO S. SUR. LINE
TOTAL DEPTH: 3,500'
 60 ACRE LEASE

STARR COUNTY

11.4 MILES S. OF SANTA ELENA, TX
API: 427-33452
OPERATOR: DEWBRE PETROLEUM CORP.
LEASE: BRANNAN
WELL #: 4
FIELDS PERMITTED: WILDCAT, LA COPITA (VICKSBURG CONS.)
SURVEY: JOSE A. MORALES A-338
 467' TO W. SUR. LINE/8,720' TO N. SUR. LINE
TOTAL DEPTH: 10,200'
 372.54 ACRE LEASE

WEBB COUNTY

23.2 MILES NW. OF AGUILARES, TX
API: 479-38004
OPERATOR: CONOCO INC.
LEASE: DIX RANCH C 101
WELL #: 3
FIELDS PERMITTED: WILDCAT, DIX RANCH (LOWER WILCOX LOBO)
SURVEY: J. POITEVENT #101 A-1640
 820' TO W. SUR. LINE/860' TO S. SUR. LINE
TOTAL DEPTH: 7,700'
 2,560.45 ACRE LEASE

WEBB COUNTY

43 MILES NW. OF LAREDO, TX
API: 479-38039
OPERATOR: CRIMSON ENERGY CO.
LEASE: BRISCOE "E"
WELL #: 118
FIELDS PERMITTED: WILDCAT, GOLD

RIVER, NORTH (OLMOS)
SURVEY: ANTONIO GUERRA SEC. 263 A-59
 2,200' TO SE. SUR. LINE/10,249' TO SW. SUR. LINE (RIVER)
TOTAL DEPTH: 6,100'
 28,098 ACRE LEASE

WEBB COUNTY

43 MILES NW. OF LAREDO, TX
API: 479-38040
OPERATOR: CRIMSON ENERGY CO.
LEASE: BRISCOE "E"
WELL #: 120
FIELDS PERMITTED: WILDCAT, GOLD RIVER, NORTH (OLMOS)
SURVEY: I&GN RR CO #11 A-437
 743' TO S' LYS. SUR. LINE/799' TO SE. SUR. LINE
TOTAL DEPTH: 6,100'
 28,098 ACRE LEASE

WEBB COUNTY

9.2 MILES NE. OF AGUILARES, TX
API: 479-38045
OPERATOR: EEX OPERATING, LP
LEASE: ALLEY
WELL #: 17
FIELDS PERMITTED: WILDCAT, VAQUILLAS RANCH (LOBO CONS.)
SURVEY: GC&SF RR CO SEC. 1694 A-2461
 743' TO S. SUR. LINE/2,428' TO W. SUR. LINE
TOTAL DEPTH: 12,000'
 1,250 ACRE LEASE

ZAPATA COUNTY

21.4 MILES SE. OF ZAPATA, TX
API: 505-34487
OPERATOR: DOMINION EXPL. & PROD.
LEASE: SERNA, DONATO
WELL #: 3 (DIRECTIONAL)
FIELDS PERMITTED: WILDCAT, LOPENO (L-31),(WILCOX E),(WILCOX F),(WILCOX J),(WILCOX K),(WILCOX 7300),(WILCOX 7350),(WILCOX 7900),(WILCOX 8000),(WILCOX 9550),(WILCOX 9600),(WILCOX 9850),(WILCOX 9950),(WILCOX 10200),(WILCOX 10900)
SURVEY: J.C. GUTIERREZ, POR. 15 A-35
 SURFACE: 1,680' TO SE. SUR. LINE/31,300' TO SW. SUR. LINE/BOTTOM HOLE: 1,240' TO SE. SUR. LINE/31,350' TO SW. SUR. LINE
TOTAL DEPTH: 14,500'
 767.54 ACRE LEASE

ZAPATA COUNTY

24.2 MILES N. OF ZAPATA, TX
API: 505-34488
OPERATOR: DOMINION EXPL. & PROD.
LEASE: MARSHALL
WELL #: 1
FIELDS PERMITTED: WILDCAT, LA PERLA (LOBO CONS.),(WILCOX, LOWER)
SURVEY: J.V. BORREGO GRANT A-209
 39,000' TO SE. SUR. LINE/64,440' TO NE. SUR. LINE
TOTAL DEPTH: 13,500'
 645.70 ACRE LEASE

ZAPATA COUNTY

20 MILES SW. OF HEBBRONVILLE, TX
API: 505-34486
OPERATOR: KILLAM OIL CO., LTD.
LEASE: HINNANT HEIRS "B"
WELL #: 3010
FIELDS PERMITTED: WILDCAT, AVIATORS, SOUTH (9450),(9550)

SURVEY: H&GN RR CO SEC. 10 A-477
 1,078' TO SW. SUR. LINE/1,973' TO SUR. LINE
 TOTAL DEPTH: 9,800'
 325.60 ACRE LEASE

Oil Completions

NONE

Gas Completions

HIDALGO COUNTY

6.9 MILES SW. OF MCCOOK, TX
 COMPLETION DATE: 7-29-2001
 API: 215-32870
 OPERATOR: WHITING PETROLEUM CORP.
 LEASE: DOUGHERTY/EIA UNIT #1
 WELL #: 2
 FIELD: JICARILLA (I-2)
 SURVEY: P. FLORES, POR. 77 A-577
 *****24 HR. TEST*****
 GAS: 2047/WATER: 50/GOR: 292429/CHK: 18/64"
 FLOW PRESS: 1965/SIWHP: 3015/SIBHP: 3666
 ABSOLUTE OPEN FLOW: 3751
 GAS GRAVITY: .611/LIQ. HYDRO. GRAVITY: 54.6
 BOTTOM HOLE TEMP: 257 @9388'
 STIMULATION: FRAC. W/587,000# 20/40 SAND
 TOTAL DEPTH: 9,950'
 PRODUCING INTERVAL(PERFS): 9,144'-9,463'
 PREVIOUS COMPLETION: NONE- NEW WELL

KENEDY COUNTY

21.8 MILES SE. OF ARMSTRONG, TX
 COMPLETION DATE: 11-22-2001
 API: 261-31260
 OPERATOR: SWIFT ENERGY CO.
 LEASE: MALLET
 WELL #: 1
 FIELD: I.Y. GARCIA (M-30) /NFD/
 SURVEY: SAN JUAN CARRICITOS GRANT
 ABSTRACT 8
 *****24 HR. TEST*****
 GAS: 1763/WATER: 260/GOR: 111090/CHK: 10/64"
 FLOW PRESS: 4765/SIWHP: 8765/SIBHP: 10355
 ABSOLUTE OPEN FLOW: 2616
 GAS GRAVITY: .581/LIQ. HYDRO. GRAVITY: 45.2
 BOTTOM HOLE TEMP: 287 @12926'
 STIMULATION: 117,000# 20/40 BAUXITE
 AND 46,000# 20/40 CERAMAX
 TOTAL DEPTH: 16,300'
 PRODUCING INTERVAL(PERFS): 12,916'-12,936'
 PREVIOUS COMPLETION: PLUG BACK FROM
 THE I.Y. GARCIA (FRIO) FIELD

STARR COUNTY

8 MILES NNW. OF ROMA, TX
 COMPLETION DATE: 1-2-2002
 API: 427-33265
 OPERATOR: NEWGULF PETROLEUM
 LEASE: 3-M
 WELL #: 1
 FIELD: ARROYO GRANDE (QUEEN CITY)
 SURVEY: JUAN SALINAS, SH. 61, POR. 71
 ABSTRACT 163
 *****24 HR. TEST*****
 GAS: 220/WATER: 0/GOR: DRY/CHK: 14/64"
 FLOW PRESS: 133/SIWHP: 1545/SIBHP: 1699
 ABSOLUTE OPEN FLOW: 222
 GAS GRAVITY: .617/LIQ. HYDRO. GRAVITY: NA
 BOTTOM HOLE TEMP: 162 @4004'
 STIMULATION: NONE
 TOTAL DEPTH: 5,200'
 PRODUCING INTERVAL(PERFS): 3,998'-4,010'

PREVIOUS COMPLETION: NONE- NEW WELL

STARR COUNTY

11 MILES N.OF SULLIVAN CITY, TX
 COMPLETION DATE: 9-1-2001
 API: 427-33186
 OPERATOR: TOTALFINAELF E&P USA
 LEASE: O.H. DAVENPORT HEIRS
 WELL #: 7
 FIELD: HINDE, WEST (MARKER III SD)
 SURVEY: CCSD&RGNG RR CO #281 A-242
 *****24 HR. TEST*****
 GAS: 993/WATER: 12/GOR: 94571/CHK: 28/64"
 FLOW PRESS: 590/SIWHP: 2597/SIBHP: 3124
 ABSOLUTE OPEN FLOW: 1045
 GAS GRAVITY: .660/LIQ. HYDRO. GRAVITY: 60
 BOTTOM HOLE TEMP: 234 @7280'
 STIMULATION: FRAC. W/24,972 GALS. DELTA
 FRAC 30# & 34,550 GALS. PROPLADEN FLUID
 CARRYING 166,078# 20/40 SAND
 TOTAL DEPTH: 8,500'
 PRODUCING INTERVAL(PERFS): 7,276'-7,284'
 PREVIOUS COMPLETION: NONE- NEW WELL

WEBB COUNTY

10 MILES N. OF BRUNI, TX
 COMPLETION DATE: 10-10-2001
 API: 479-34307
 OPERATOR: OCEAN ENERGY, INC.
 LEASE: THE DINN MINERAL TRUSTS
 WELL #: 1
 FIELD: GUERRA (10,900)
 SURVEY: J.T. DINN #62 A-3034
 *****24 HR. TEST*****
 GAS: 1061/WATER: 25/GOR: NA/CHK: 3/4"
 FLOW PRESS: 215/SIWHP: 521/SIBHP: NA
 ABSOLUTE OPEN FLOW: NA
 GAS GRAVITY: .620/LIQ. HYDRO. GRAVITY: NA
 BOTTOM HOLE TEMP: 299 @(DEPTH NA)
 STIMULATION: FRAC. W/183,000# 20/40 SAND
 TOTAL DEPTH: 11,500'
 PRODUCING INTERVAL(PERFS): 10,706'-11,088'
 PREVIOUS COMPLETION: PLUG BACK FROM
 THE GUERRA (FLVELLA) FIELD

ZAPATA COUNTY

16.6 MILES SW. OF AGUILARES, TX
 COMPLETION DATE: 10-17-2001
 API: 505-34229
 OPERATOR: CONOCO INC.
 LEASE: BRUNI RANCH
 WELL #: 75
 FIELD: BLANCAS CREEK (10850)
 SURVEY: J.V. BORREGO GRANT A-209
 *****24 HR. TEST*****
 GAS: 4764/WATER: 276/GOR: NA/CHK: 18/64"
 FLOW PRESS: 2650/SIWHP: 5015/SIBHP: NA
 ABSOLUTE OPEN FLOW: NA
 GAS GRAVITY: .590/LIQ. HYDRO. GRAVITY: NA
 BOTTOM HOLE TEMP: 265 @9545'
 STIMULATION: FRAC. W/175 BBLs. 40#/45#
 PURGEL III &146,703# 20/40 SAND
 TOTAL DEPTH: 11,300'
 PRODUCING INTERVAL(PERFS): 9,518'-9,572'
 PREVIOUS COMPLETION: PLUG BACK FROM
 THE LA PERLA (LOBO CONS.) FIELD

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