

THE APPLICATION OF NAVIDAD RESOURCES, LLC. FOR BLANKET RULE 10 EXCEPTION IN FORT TRINIDAD (GLEN ROSE, UPPER), FORT TRINIDAD, EAST (BUDA), FORT TRINIDAD, EAST (GEORGETOWN), FT TRINIDAD, E. (EDWARDS), FT TRINIDAD, E. (EDWARDS -A-) AND FT TRINIDAD, SE (EDWARDS) FIELDS, HOUSTON AND MADISON COUNTIES, TEXAS

Heard by: Donna K. Chandler, Technical Examiner

Hearing Date: November 5, 2009

Appearances:

Dale Miller

Representing:

Navidad Resources, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Navidad Resources, LLC. requests exception to Statewide Rule 10 for all wells in any of the following fields.

Fort Trinidad (Glen Rose, Upper) Field
Fort Trinidad, East (Buda) Field
Fort Trinidad, East (Georgetown) Field
Ft Trinidad, E. (Edwards -A-) Field
Ft Trinidad, E. (Edwards) Field
Ft Trinidad, SE (Edwards) Field

Navidad requests that the field assignment for each individual wellbore be assigned to any of the three fields, as requested by the operator.

This application was unopposed and the examiner recommends approval of the requested Rule 10 authority.

DISCUSSION OF THE EVIDENCE

On May 19, 2009, the Commission approved Rule 10 authority for all wells in the Fort Trinidad (Glen Rose, Upper), Fort Trinidad, East (Buda) and Fort Trinidad, East (Georgetown) Fields in Docket No. 03-0261083. Navidad now wishes to add fields which produce from the Edwards formation. Navidad has a large leasehold in the area of approximately 26,000 acres but has only one producing well, the W. A. Adams Gas Unit No. 1.

Fort Trinidad, East (Buda) Field is an oil field producing from a depth of 9,275 feet. The field operates under rules providing for 160 acre density. There are only five active wells in the field, producing an average of 5 BOPD per well.

The Fort Trinidad, East (Georgetown) Field is an oil field producing from a depth of 9,730 feet. The field operates under Statewide Rules and has one active well, the W. A. Adams Gas Unit No. 1.

The Fort Trinidad (Glen Rose, Upper) Field is an associated gas field producing from a depth of 10,576 feet. The field operates under rules providing for 640 acre density. The field has 10 active gas wells producing an average of less than 100 MCFD per well. There are no active oil wells in the field currently.

The Ft. Trinidad, SE (Edwards) Field, which operates under Statewide Rules, and the Ft. Trinidad, E. (Edwards) Field, which operates under 320 acre rules, are both oil fields which have no active wells. The Ft. Trinidad, E. (Edwards -A-) Field operates under 320 rules and has 2 active producing wells.

Navidad's W. A. Adams Gas Unit No. 1 has had completions in the Glen Rose, Georgetown and Buda formations, the deepest perforations in the Glen Rose at 11,230-11,415 feet. The only open completion in the well currently is in the Buda at 9,834-9,878 feet. Navidad plans to isolate all of the currently perforated intervals and complete the well in three separate Edwards zones, with each zone being perforated, fracture stimulated and tested individually. These perforations will be between 10,356 and 10,756 feet. After all three Edwards zones are completed, Navidad plans to produce the Edwards intervals and the Buda and Georgetown simultaneously. The deeper Glen Rose perforations will be opened at a later time after the pressure is depleted in the upper zones.

It is expected that even with downhole commingling, the production will require gas-lift and the well will be pumped off. For this reason, cross-flow between the zones should not occur. The commingled production rate is estimated to be 350 BOPD, 500 MCFD and 125 BWPD.

All of the reservoirs are Cretaceous age, fractured carbonate reservoirs. They are

less than 1,500 feet vertically separated and the waters from the reservoirs are expected to be very similar. Fluid analyses for the Buda, Georgetown and Glen Rose reservoirs indicated no compatibility problems. There is no analysis available for Edwards water, but it is expected to be similar, as the Edwards lies between the other reservoirs.

Incremental reserves will be produced as a result of commingling. It is estimated that an additional 15,089 BO will be recovered as a result of commingling just two reservoirs. This incremental production is a result of a lower combined economic limit of these marginal zones. Commingling additional reservoirs will result in the recovery of more incremental reserves.

It is requested that wells which are downhole commingled in the subject fields be assigned to any field of the operator's choice as each zone may not be productive in each wellbore.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the six subject fields.
2. On May 19, 2009, the Commission approved Rule 10 authority for all wells in the Fort Trinidad (Glen Rose, Upper), Fort Trinidad, East (Buda) and Fort Trinidad, East (Georgetown) Fields in Docket No. 03-0261083.
3. The three additional fields proposed for commingling produce from the Edwards formation. All of the six fields are fractured carbonate reservoirs
4. Navidad has a leasehold of approximately 26,000 acres in the area.
5. Cross-flow between the fields is not expected. The wells will produce on artificial lift and will be pumped off to prevent cross flow between the reservoirs and prevent reservoir damage.
6. Downhole commingling production from these fields will result in the recovery of incremental reserves from the various fields proposed for commingling zones. It is estimated that an additional 15,089 BO will be recovered as a result of commingling just two reservoirs
7. Not all zones are productive in each wellbore and therefore field assignment should be at the operator's discretion.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested Rule 10 exceptions for all wells in the Fort Trinidad (Glen Rose, Upper), Fort Trinidad, East (Buda), Fort Trinidad, East (Georgetown), Ft Trinidad, E. (Edwards -A-), Ft Trinidad, E. (Edwards) and Ft Trinidad, SE (Edwards) Fields will prevent waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested Rule 10 exceptions for all wells in the subject fields, as specified in the attached order.

Respectfully submitted,

Donna K. Chandler
Technical Examiner