

THE APPLICATION OF SUEMAUR EXPL. & PROD., LLC TO CONSIDER A NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED LA SAL VIEJA (FRIO L) FIELD, WILLACY COUNTY, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Date of Hearing: July 9, 2008

Appearances:

Dale E. Miller

Representing:

Suemaaur Expl. & Prod., LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Suemaaur Expl. & Prod., LLC requests that a new field designation called the La Sal Vieja (Frio L) Field be approved for its J. W. Henderson, et al GU Lease Well No. 5 (API No. 42-489-31192). Suemaaur requests that the following field rules be adopted for the new field:

1. Designation of the field as the correlative interval from 12,625 feet to 13,350 feet measured depth as shown on the log for the Suemaaur Expl. & Prod., LLC - J. W. Henderson, et al GU Lease Well No. 5 (API No. 42-489-31192), Willacy County, Texas;
2. Allocation based on 95% deliverability and 5% per well.

There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

DISCUSSION OF EVIDENCE

Suemaaur Expl. & Prod., LLC completed its J. W. Henderson, et al GU Lease Well No. 5 in March 2008 with perforations in three lower Frio sands between 12,700 feet to 13,242 feet. On initial test, the well produced at a maximum rate of 5,956 MCFGPD, 73 BCPD and 98 BWPD.

The new field designation should be approved for the J. W. Henderson, et al GU Lease Well No. 5. There are approximately 100 wellbores within a 2½ mile radius of the No. 5 well. However, only fifteen wells penetrated the subject interval and are completed in the Lago Del Ocelot (Frio 12150), La Sal Vieja (Deep) or the La Sal Vieja (Deep 14600)

fields. Twelve of the wells are not perforated within 150 feet of vertical separation of the completed interval and three wells have perforations within 150 feet of vertical separation of the completed interval. However, no well has ever produced from this fault block of Frio sands.

Suemaaur requests that the entire correlative interval from 12,625 feet to 13,350 feet measured depth as shown on the log for the Suemaaur Expl. & Prod., LLC - J. W. Henderson, et al GU Lease Well No. 5 be considered a single field known as the La Sal Vieja (Frio L) Field. Suemaaur submitted a structural cross section showing that the perforated interval in the subject well is in three different Rio "L" sands, identified as the L-27, L-71 and L-90 zones. The other wells on the cross section are completed in the La Sal Vieja (Deep) Field, which is identified as the Frio M-50 reservoir. The cross section demonstrates that the J. W. Henderson, et al GU Lease Well No. 5 is separated from the La Sal Vieja (Deep) Field through an array of different faults. In fact, due to a horst fault near the subject well, the La Sal Vieja (Deep) Field interval is barely present in Well No. 5. Suemaaur also believes that the subject well is separated from the Lago Del Ocelot (Edo 12150) and La Sal Vieja (Deep 14600) Fields because of additional faults in the area. In addition, Well No. 5 encountered a shut-in bottom-hole pressure of 12,001 psia. This bottom-hole pressure results in a pressure gradient of 0.925 psia per foot, which is considered to be virgin geo-pressure for a well completed at this depth.

Suemaaur Expl. & Prod., LLC is requesting the expanded correlative interval as result of the high initial drilling and completion costs and the limited reserves contributed by each of the individual reservoirs. The initial cost of drilling, completing and stimulating the wellbore in all three zones within the requested correlative interval is approximately \$6.5 MM. Suemaaur estimated that the additional cost to complete the wellbore in each of the reservoirs separately after depletion of reserves would be approximately \$450,000. In addition, the delay in the recovery of the reserves from each reservoir would result in the wells becoming less economic, thereby reducing the ultimate recovery.

Suemaaur also stated that producing all of the Frio "L" reservoirs simultaneously would reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs. Assuming an initial completion in three zones, an economic limit of 30 MCFGPD and an exponential decline rate of 15% per year, Suemaaur calculated the incremental reserves to be recovered at approximately 135 MMCFG per well.

Suemaaur also requests that a two factor allocation formula based on 95% deliverability and 5% per well be adopted for the field.

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. Suemaur Expl. & Prod., LLC completed its J. W. Henderson, et al GU Lease Well No. 5 in April 2008 with perforations in three lower Frio sands between 12,700 feet to 13,242 feet.
3. The J. W. Henderson, et al GU Lease Well No. 5 is entitled to a new field designation.
 - a. There are approximately 100 wellbores within a 2½ mile radius of the No. 5 well. However, no well has ever produced from this fault block of Frio sands.
 - b. The nearest Frio sand production is approximately 370 feet to the west in the La Sal Vieja (Deep) Field.
 - c. Suemaur submitted a structural cross section showing that the perforated interval in the subject well is in three different Rio “L” sands. The other wells on the cross section are completed in the La Sal Vieja (Deep) Field, which is identified as the Frio M-50 reservoir.
 - d. Based on bottomhole pressure data, Suemaur believes the proposed discovery well is not in pressure or fluid communication with any wells within the 2-1/2 mile radius.
4. The entire correlative interval from 12,625 feet to 13,350 feet measured depth in the J. W. Henderson, et al GU Lease Well No. 5 should be designated as the La Sal Vieja (Frio L) Field.
5. Suemaur estimated that the additional cost to complete a well in each of the reservoirs separately after depletion of reserves would be approximately \$450,000. In addition, the delay in the recovery of the reserves from each reservoir would result in the wells becoming less economic, thereby reducing the ultimate recovery.
6. Assuming an initial completion in three zones, an economic limit of 30 MCFGPD and an exponential decline rate of 15% per year, Suemaur calculated the incremental reserves to be recovered at approximately 135 MMCFG per well.
7. Allocation based on 95% deliverability and 5% per well will protect 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 requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the La Sal Vieja (Frio L) Field.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner