

OIL AND GAS DOCKETS NO. 01-0245395 & 01-0245396

February 1, 2006

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APPLICATION OF DELTA EXPLORATION CO., INC. TO CONSIDER AN MER FOR THE PEELER LEASE WELL NO. 1 IN THE WRIGHT HOOK (WRIGHT SAND) FIELD, MCMULLEN COUNTY, TEXAS

OIL & GAS DOCKET NO. 01-0245396

APPLICATION OF DELTA EXPLORATION CO., INC. TO CONSIDER AN MER FOR THE PEELER LEASE WELL NO. 3 IN THE LEFT HOOK (WRIGHT SAND) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: January 31, 2006

APPEARANCES:

Don Rhodes

Michael R. White

REPRESENTING:

Delta Exploration Co., Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Delta Exploration Co., Inc. for Commission consideration for the Peeler Lease Well No. 1 in the Wright Hook (Wright Sand) Field and Peeler Lease Well No. 3 in the Left Hook (Wright Sand) Field for an MER of 575 BOPD. It is also proposed that all oil production in excess of the assigned allowable be canceled effective the date of the Order. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Wright Hook (Wright Sand) Field was discovered March 23, 2003 by completion of the Manti Operating Co., Peeler Lease Well No. 1 through perforations from 5234' to 5242' subsurface depth. The discovery allowable for a well at this depth in this field is 160 BOPD. Delta Exploration is the only operator in the field with the discovery well.

An MER of 565 BOPD will not result in reduction of the ultimate recovery of reserves. The maximum producing rate during the testing was: 590 BOPD, 144 MCFD, 62 BWPD, 560 psig FTP on a 16/64ths" choke. The current producing rate is: 158 BOPD, 24 MCFD, 58 BWPD, 493 psig FTP on a 9.5/64ths" choke. The Peeler Lease Well No. 1 was tested at four different flowing rates.

OIL BPD	WATER BPD	GAS MCFD	TBG PSIG	DELTA PSI	DRAW DOWN
546	65	130	2148	103	5%
320	38	73	2191	60	3%
196	26	44	2213	38	2%

The last rate the well started heading and would not stabilize

The test information shows that the well is rate sensitive when attempting to produce at the top allowable rate. The pressure draw down indicated a very strong, effective water drive. The reservoir is approximately 30 acres in size, the result of a structural fault trapping.

The Left Hook (Wright Sand) Field was discovered October 5, 2004 by completion of the Manti Operating Co., Peeler Lease Well No. 3 through perforations from 5252' to 5257' subsurface depth. The discovery allowable for a well at this depth in this field is 160 BOPD. Delta Exploration is the only operator in the field with the discovery well.

An MER of 565 BOPD will not result in reduction of the ultimate recovery of reserves. The maximum producing rate during the testing was: 614 BOPD, 144 MCFD, 0 BWPD, 406 psig FTP on a 20/64ths" choke. The current producing rate is: 157 BOPD, 48 MCFD, 0 BWPD, 520 psig FTP on a 8.5/64ths" choke. The Peeler Lease Well No. 3 was tested at three different flowing rates.

OIL BPD	WATER BPD	GAS MCFD	BHP PSIG	DELTA PSI	DRAW DOWN
556	3	148	1848	383	17%
311	2	86	2019	212	10%
160	0	41	2126	105	5%

The pressure draw down indicated a very strong, effective water drive. The reservoir is approximately 50 acres in size, the result of a structural fault trapping.

It is proposed that the oil produced in excess of the assigned allowable on the Peeler Lease (14440) and Peeler Lease (14558) be canceled as correlative rights will not be harmed as these are the only wells in each respective field.

FINDINGS OF FACT

1. Notice of this application was given to all persons entitled to notice at least ten (10) days prior to the hearing.
2. There was no protest of the application.
3. The Wright Hook (Wright Sand) Field was discovered March 23, 2003 by completion of the

Manti Operating Co., Peeler Lease Well No. 1 through perforations from 5234' to 5242' subsurface depth. The discovery allowable for a well at this depth in this field is 160 BOPD.

4. The Left Hook (Wright Sand) Field was discovered October 5, 2004 by completion of the Manti Operating Co., Peeler Lease Well No. 3 through perforations from 5252' to 5257' subsurface depth. The discovery allowable for a well at this depth in this field is 160 BOPD.
5. An MER of 565 BOPD will not result in reduction of the ultimate recovery of reserves.
 - a. The maximum producing rate during the testing was: 590 BOPD, 144 MCFD, 62 BWPD, 560 psig FTP on a 16/64ths" choke.

- b. The Peeler Lease Well No. 1 was tested at four different flowing rates.

OIL BPD	WATER BPD	GAS MCFD	TBG PSIG	DELTA PSI	DRAW DOWN
546	65	130	2148	103	5%
320	38	73	2191	60	3%
196	26	44	2213	38	2%

The last rate the well started heading and would not stabilize

- c. The test information shows that the well is rate sensitive when attempting to produce at the top allowable rate.
 - d. The pressure draw down indicated a very strong, effective water drive.
6. An MER of 565 BOPD will not result in reduction of the ultimate recovery of reserves.

- a. The maximum producing rate during the testing was: 614 BOPD, 144 MCFD, 0 BWPD, 406 psig FTP on a 20/64ths" choke.

- b. The Peeler Lease Well No. 3 was tested at three different flowing rates.

OIL BPD	WATER BPD	GAS MCFD	BHP PSIG	DELTA PSI	DRAW DOWN
556	3	148	1848	383	17%
311	2	86	2019	212	10%
160	0	41	2126	105	5%

- c. The test information shows that the well is not rate sensitive when attempting to produce at the top allowable rate.

- d. The pressure draw down indicated a very strong, effective water drive.
- 7. Canceling the overproduction will not harm correlative rights.

CONCLUSIONS OF LAW

- 1. Notice of this hearing was provided in accordance with all applicable regulatory statutes and rules.
- 2. All things have occurred or been accomplished to afford the Commission the jurisdiction to consider and decide this matter.
- 3. Consideration and approval of this application is a matter properly within the jurisdiction of the Commission to foster conservation and prevent waste.
- 4. Approval of the proposed application of Delta Exploration Co., Inc for an MER of 575 BOPD for the Peeler Lease Well No. 1 in the Wright Hook (Wright Sand) Field and Peeler Lease Well No. 3 in the Left Hook (Wright Sand) Field will not harm correlative rights nor cause waste.
- 5. Cancellation of the oil production in excess of the assigned allowable will not harm correlative rights.

EXAMINER'S RECOMMENDATION

It is recommended that the application of of Delta Exploration Co., Inc for an MER of 575 BOPD for the Peeler Lease Well No. 1 in the Wright Hook (Wright Sand) Field and Peeler Lease Well No. 3 in the Left Hook (Wright Sand) Field be approved. It is further recommended that the oil produced in excess of the assigned allowable for the leases be canceled.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel