

June 14, 2007

OIL & GAS DOCKET NO. 08-0251519

APPLICATION OF NEG OPERATING LLC TO CONSIDER AN MER FOR THE PARKER MINERALS LTD LEASE WELL NO. 1101 AND 1102 IN THE GOLDSMITH (CLEARFORK) FIELD, ECTOR COUNTY, TEXAS

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

DATE OF HEARING: June 1, 2007

APPEARANCES:

Bill Spencer

Jim Clark

REPRESENTING

NEG Operating LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unopposed application of NEG Operating for Commission consideration for the Parker Minerals Ltd. Lease Wells No. 1101 and 1102 for an MER of 300 BOPD per well. 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 Goldsmith (Clearfork) Field was discovered in 1946 at 6,300' subsurface depth and is classified as an Associated-Prorated field is governed by Special Field Rules and the top allowable for a well in the field is 111 BOPD. The Clearfork formation has been and is the subject on numerous waterfloods. The Parker Minerals Ltd. Lease has not been waterflooded but is surrounded by units that have been or/are being waterflooded.

An MER of up to 300 BOPD will result in the recovery of reserves that may otherwise go unrecovered. The Parker Minerals Ltd. Well No. 1101 was completed in December 2006 and Well No. 1102 was completed in March 2007. The wells are equipped with rod pumps that can move 500 barrels of fluid per day. Well No. 1101 currently produces \pm 100 BOPD and Well No. 1102 produces \pm 150 BOPD. Fluid level testing measures high fluid levels. The wells are demonstrating the effects of the nearby waterfloods. A higher volume pumping system is necessary for the efficient and effective recovery of the liquid hydrocarbons. NEG Operating proposes installing higher volume Roto-Flex downhole pumps capable of moving up to 900 barrels of fluid per day. It is estimated that the oil production level may increase up to 300 BOPD. NEG seeks approval of the 300 BOPD MER prior to the expense of purchasing and installing the new pumps. The GOR for the wells have remained in the 1200 to 1400 cubic feet of gas per barrel of oil range since initial completion.

It is proposed that oil produced in excess of the assigned allowable for the Parker Minerals Ltd. Lease be canceled.

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 Goldsmith (Clearfork) Field was discovered in 1946 at 6,300' subsurface depth and is classified as an Associated-Prorated field is governed by Special Field Rules and the top allowable for a well in the field is 111 BOPD.
4. The Clearfork formation has been and is the subject on numerous waterfloods.
5. An MER of up to 300 BOPD will result in the recovery of reserves that may otherwise go unrecovered.
 - a. The Parker Minerals Ltd. Well No. 1101 was completed in December 2006 and Well No. 1102 was completed in March 2007 and the wells are equipped with rod pumps that can move 500 barrels of fluid per day.
 - b. Well No. 1101 currently produces \pm 100 BOPD and Well No. 1102 produces \pm 150 BOPD.
 - c. Fluid level testing measures high fluid levels as the wells are demonstrating the effects of the nearby waterfloods.
 - d. A higher volume pumping system is necessary for the efficient and effective recovery of the liquid hydrocarbons.
6. NEG Operating proposes installing higher volume Roto-Flex downhole pumps capable of moving up to 900 barrels of fluid per day.
 - a. The estimated oil production level may increase up to 300 BOPD.
 - b. The GOR for the wells have remained in the 1200 to 1400:1 range since initial completions.
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 NEG Operating for an MER for 300 BOPD per well for the Parker Minerals Ltd. Lease Wells No. 1101 and 1102 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.

EXAMINERS' RECOMMENDATION

It is recommended that the application of NEG Operating for an MER for 300 BOPD per well for the Parker Minerals Ltd. Lease Wells No. 1101 and 1102 be approved. It is further recommended that the oil produced in excess of the assigned allowable for the Parker Minerals Lease be canceled.

Respectfully submitted,

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