

THE APPLICATION OF PRIMEXX OPERATING CORPORATION FOR CAPACITY ALLOWABLES IN THE CLAYTON RANCH, N. (SPRABERRY) FIELD, BORDEN COUNTY, TEXAS

Heard by: Donna K. Chandler on February 5, 2009

Appearances:

Dale Miller

Representing:

Primexx Operating Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Primexx Operating Corporation requests capacity oil allowables for its wells on the Nan Martin "A" and Nan Martin "B" leases in the Clayton Ranch, N. (Spraberry) Field. Primexx also requests that all accumulated overproduction be cancelled for the Nan Martin "A" lease. Primexx had originally requested MER authority for wells on the leases. At the hearing, it was determined that a capacity oil allowable was more appropriate for the circumstances.

The application is unopposed and the examiner recommends approval of the requested capacity allowables and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The Clayton Ranch, N. (Spraberry) Field was discovered in 1985 at a depth of approximately 5,700 feet. There are 18 producing wells in the field and there have been waterflooding operations on several leases. The top allowable in the field is 171 BOPD.

The Nan Martin "A" lease operated by Primexx has five wells, two of which are injection wells. Injection on the lease was initiated in July 2007. The Nan Martin "B" lease has six producing wells and is updip to the "A" lease. Injection will be initiated on the "B" lease as wells water-out on the "A" lease and are converted to injection.

During January, February and March 2008, the Nan Martin "A" lease produced about 6,800 BO per month. In April, production increased to 9,300 BO. Production has continued to increase as a result of injection and December production from the lease was over 17,000 BO. The No. 2701 well is capable of producing over 200 BOPD and the No. 2707 well is capable of producing about 300 BOPD. This increased production is obviously a result of injection on the lease. Restricting the production to produce within the yardstick allowable is not necessary to prevent waste. Producing the wells at capacity is necessary to maximize recovery.

The lowest well on the Nan Martin "A" lease is the No. 2703. This well is producing at 80% water cut, as water has already encroached to the structural level of that well. As the other wells on the "A" lease water-out, Primexx will convert them to injection wells to enhance production on the updip "B" lease. It is expected that the "B" lease will react in the same fashion and will need a capacity allowable soon after injection operations begin on the lease. The producing gas-oil ratio for the lease is less than 500 cubic feet/barrel.

Cumulative overproduction is approximately 8,000 BO as of January 1, 2009. It is requested that all overage be canceled.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Clayton Ranch, N. (Spraberry) Field was discovered in 1985 and the top allowable in the field is 171 BOPD.
3. The Nan Martin "A" lease operated by Primexx has five wells, two of which are injection wells. Injection on the lease was initiated in July 2007.
4. Production from wells on the Nan Martin "A" lease has increased as a result of water infection.
 - a. During January, February and March 2008, the lease produced about 6,800 BO per month. In April, production increased to 9,300 BO.
 - b. December production from the lease was over 17,000 BO.
 - c. The No. 2701 well is capable of producing over 200 BOPD and the No. 2707 well is capable of producing about 300 BOPD.
5. As wells on the "A" lease water-out, Primexx will convert them to injection wells to enhance production on the "B" lease, which is updip from the "A" lease.

6. Producing the wells on the Nan Martin "A" and Nan Martin "B" leases at capacity is necessary to maximize secondary recovery from the leases.
7. The Nan Martin "A" lease is overproduced approximately 8,000 BO as of January 1, 2009.

CONCLUSIONS OF LAW

1. Notice of this hearing was given as specified in the provisions of all regulatory codes.
2. All things have occurred or been accomplished to give the Commission jurisdiction in this matter.
3. Approval of capacity allowables pursuant to Rule 48 for the Nan Martin "A" and Nan Martin "B" leases in the Clayton Ranch, N. (Spraberry) Field is necessary to prevent waste.
4. Cancellation of overproduction for the Nan Martin "A" lease in the Clayton Ranch, N. (Spraberry) Field will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of capacity oil allowables for the Nan Martin "A" and Nan Martin "B" leases in the Clayton Ranch, N. (Spraberry) Field. It is further recommended that all overproduction for the Nan Martin "A" lease be cancelled.

Respectfully submitted,

Donna K. Chandler
Technical Examiner