

OIL AND GAS DOCKET NO. 06-0257661

APPLICATION OF SULPHUR RIVER EXPLORATION, INC. TO CONSOLIDATE THE BRYANS MILL (RODESSA B), BRYANS MILL (RODESSA U) AND THE BRYANS MILL (RODESSA V) FIELDS INTO THE (PROPOSED) BRYANS MILL (RODESSA CONS.) FIELD AND ADOPT FIELD RULES, CASS COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: July 24, 2008

APPEARANCES:

John Soule
Randall M. Salge

REPRESENTING:

Sulphur River Exploration, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

Sulphur River Exploration, Inc. requests to consolidate three Bryans Mill (Rodessa) Fields into a new field to be known as the Bryans Mill (Rodessa Cons.) Field. The fields proposed for consolidation are as follows:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Bryans Mill (Rodessa B)	12735 480
Bryans Mill (Rodessa U)	12735 485
Bryans Mill (Rodessa V)	12735 488

Sulphur River requests that the following rules be adopted for the new field:

1. Designation of the Bryans Mill (Rodessa Cons.) Field as the correlative interval from 6,080 feet to 6,270 feet as shown on the log of the Allsup Well No. 4;
2. Minimum well spacing of 330'/660' (lease line/between well);
3. 40 acre oil units with 20 acre tolerance and a maximum diagonal of 2,100 feet;

4. An allocation formula based on 95% acreage and 5% per well.

Sulphur River had requested an allocation formula based on 100% acreage in the notice, then requested a two factor allocation based on 95% acreage and 5% per well during the hearing. The examiner recommends approval of the proposed rules.

DISCUSSION OF THE EVIDENCE

The Bryans Mill (Rodessa B) Field was discovered in March 1974 at a depth of 6,150 feet subsurface depth. The field is governed by Statewide field rules. Sulphur River Exploration is the only operator in the three fields. The Bryans Mill (Rodessa B) Field has 3 shut-in wells. The field has been water flooded and has produced 730,128 BO.

The Bryans Mill (Rodessa U) Field was discovered in March 1974 at a depth of 6,245 feet subsurface depth. The field is governed by Statewide field rules. The Bryans Mill (Rodessa U) Field has no wells listed on the proration schedule. The field has been water flooded and has produced 837,369 BO.

The Bryans Mill (Rodessa V) Field was discovered in March 1974 at a depth of 6,245 feet subsurface depth. The field is governed by Statewide field rules. The Bryans Mill (Rodessa V) Field has 3 active wells. The field has not been water flooded and has produced 303,764 BO under primary production.

The Rodessa Consolidated interval will consist of three lime and limey sand deposits, the Rodessa B, the Rodessa U and the Rodessa V. The Rodessa B and U have been water flooded, the Rodessa V has not been water flooded. Sulphur River is proposing to commingle the three reservoirs and re-establish a water flood project. Sulphur River estimates it will recover an additional 80,000 to 120,000 barrels of oil by consolidating the fields and implementing the water flood. Consolidating the fields will facilitate the recovery of additional reserves by lowering the economic limit of each well and extending its life. The current low production rates from either field alone does not justify drilling a well just to produce either zone individually.

Sulphur River request that the well density remain on 40 acre units. Sulphur River believes this density is necessary to provide for the efficient and effective depletion of the subject field. Sulphur River plans to recomplete all wells into all three productive zones and to drill one or two additional wells to enhance the water flood project. The proposed minimum well spacing, 330'/660' (leaseline/between well), will allow the flexibility to place wells at optimum locations between the bounding fault and water injection wells within the water flooded fields.

Because the proposed designated intervals contains multiple productive zones, a two factor allocation formula is required by statute. Sulphur River proposes that allocation be based on 95% acreage and 5% per well.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. There was no protest at the call of the hearing.
3. The Bryans Mill (Rodessa B) Field was discovered in 1974 at a depth of 6,150' subsurface depth.
 - a. The field is governed by Statewide Rules.
 - b. Sulphur River is the only operator in the field and there are 3 inactive wells.
 - c. Cumulative production from the field is 730,128 BO.
 - d. The field has been water flooded and is currently shut-in.
4. The Bryans Mill (Rodessa U) Field was discovered in 1974 at a depth of 6,245' subsurface depth.
 - a. The field is governed by Statewide Rules.
 - b. There are no wells in the field.
 - c. Cumulative production from the field is 837,369 BO.
 - d. The field has been water flooded.
5. The Bryans Mill (Rodessa V) Field was discovered in 1974 at a depth of 6,245' subsurface depth.
 - a. The field is governed by Statewide Rules.
 - b. Sulphur River is the only operator in the field and there are 3 wells.
 - c. Cumulative production from the field is 303,764 BO.
 - d. The field has not been water flooded and is nearing economic limit of production.
6. Sulphur River request that the well density remain on 40 acre units.

7. The proposed minimum well spacing, 330'/660' (leaseline/between well), will allow the flexibility to place wells at optimum locations between the bounding fault and water injection wells within the water flooded field.
8. Consolidation of the fields will result in the recovery of additional reserves from the three fields as a result of reestablishing a water flood and a lower combined economic limit.
9. Allocation based on 95% acreage and 5% per well is a reasonable allocation formula which satisfies statutory requirements.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.
4. Consolidation of the subject field and adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation and the adoption of field rules for the Bryans Mill (Rodessa Cons.) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Hearings Examiner