

THE APPLICATION OF PETROPLEX ENERGY TO CONSOLIDATE THE GREENTREE, NORTH (STRAWN) FIELD INTO THE GLADYS COWDEN (STRAWN) FIELD AND TO AMEND FIELD RULES FOR THE GLADYS COWDEN (STRAWN) FIELD, MARTIN AND MIDLAND COUNTIES, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: November 29, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Rick Johnston

Petroplex Energy

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Petroplex Energy requests to consolidate the Greentree, North (Strawn) Field into the Gladys Cowden (Strawn) Field. Field rules for the Gladys Cowden (Strawn) Field were recently adopted on October 11, 2011 in Docket No. 08-0272343. The rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 10,480 feet to 11,020 feet as shown on the log of the Petroplex Energy Inc. - Button Estes "7" Lease, Well No. 3 (API No. 42-329-35205);
2. 467'-660' well spacing, 40 acre drilling units;
3. Allocation based on 100% acreage with a top allowable based on the 1947 Yardstick Allowable of 230 BOPD.

Petroplex requests that field rules for the Gladys Cowden (Strawn) Field be amended as follows:

1. Designation of the field as the correlative interval from 10,480 feet to 11,020 feet as shown on the log of the Petroplex Energy Inc. - Button Estes "7" Lease, Well No. 3 (API No. 42-329-35205) (No Change);

2. 467'-660' well spacing with no minimum distance between vertical and horizontal wells;
3. 80 acre proration units with optional 40 acre density with special provisions for Rule 38 exceptions after notice and exemption from filing proration plats while allocation formula is suspended;
4. Oil and gas allocation based on 75% acres and 25% per well with a top allowable based on the 1947 Yardstick Allowable of 515 BOPD for 80 acre units.

This application was unopposed and the examiners recommend approval of Petroplex Energy's request for field consolidation and amending the field rules.

DISCUSSION OF THE EVIDENCE

The Gladys Cowden (Strawn) Field was discovered in November 1956. There are currently no wells carried on the proration schedule. Petroplex is drilling one well and has filed several drilling permits for the field. The field operates under Special Field Rules providing for 467'/660' well spacing, 40 acre units and allocation based on 100% acreage. The designated interval for the field includes the Strawn formation.

The Greentree, North (Strawn) Field was discovered in October 1986. There are 3 oil wells carried on the proration schedule. The field operates under Statewide Field Rules providing for 467'/1200' well spacing, 40 acre units and allocation based on 100% acreage.

The Greentree, North (Strawn) and Gladys Cowden (Strawn) Field are geographically intermingled and there are no other fields contained within the correlative interval. The Strawn is continuous across the field area. Petroplex requests consolidating the fields into one field to avoid operator confusion caused by the existence of multiple Strawn fields in the area when assigning new wells.

Petroplex will develop the Gladys Cowden (Strawn) Field by drilling infill wells into the Strawn then commingle the wells with the Spraberry zones. Petroplex will recompleat existing wells into the Spraberry zones and needs the flexibility to downhole commingle production to increase the economic viability of the wells. Blanket Rule 10 exceptions have been approved to allow downhole commingling of production from the Spraberry (Trend Area) Field and more than 150 Strawn, Atoka, Bend and Pennsylvanian Fields including the Greentree, North (Strawn) and the Gladys Cowden (Strawn) Fields.

Petroplex requests that the spacing and density rules for the field be amended to be identical to the Spraberry (Trend Area) Field. This will accommodate drilling of additional infill wells and allow the commingling of the Gladys Cowden (Strawn) Field with the Spraberry (Trend Area) Field with out the need for Rule 37 exceptions.

Petroplex provided drainage calculations for the Courtney Cowden No. 1 in the field. The estimated drainage area for the well is 104 acres. These calculations are based on a porosity of 15%, water saturation of 20%, net pay thickness of 20 feet and a recovery factor of 15%. The estimated ultimate recovery from the Courtney Cowden No. 1 is 149,500 BO. It is therefore requested that the 80 acre/optional 40 acre density rule, but that special provisions be adopted for the field which will allow the administrative approval of Rule 38 exceptions after notice to all operators and unleased mineral owners of tracts within 660 feet of any point on a horizontal well within the correlative interval. If no written protest is received after 21 days of Commission issued notice of an application, or if waivers are received, the application will be approved administratively without the filing of evidence to support the exception. If a written protest is received, the application will be set for hearing. This same procedure has been in place in the Spraberry (Trend Area) Field since the field rule was adopted in Oil & Gas Docket 08-0213934 in 1997.

Producing all of the reservoirs simultaneously would reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Gladys Cowden (Strawn) Field was discovered in November 1956.
 - a. The field operates under Special Field Rules providing for 467'/660' well spacing, 40 acre units and allocation based on 100% acreage.
 - b. There are currently no wells carried on the proration schedule.
 - c. The designated interval for the field includes the Strawn formation.
3. The Greentree, North (Strawn) Field was discovered in October 1986.
 - a. The field operates under Statewide Field Rules providing for 467'/1,200' well spacing, 40 acre units and allocation based on 100% acreage.

- b. There are 3 producing oil wells carried on the proration schedule.
- 4. The Greentree, North (Strawn) Field should be consolidated into the Gladys Cowden (Strawn) Field.
- 5. The Greentree, North (Strawn) and Gladys Cowden (Strawn) Field are geographically intermingled and there are no other fields contained within the correlative interval. The Strawn is continuous across the field area.
- 6. Petroplex requests that the spacing and density rules for the Gladys Cowden (Strawn) Field be amended to be identical to the Spraberry (Trend Area) Field.
- 7. Petroplex provided drainage calculations for the Courtney Cowden No. 1 in the field. The estimated drainage area for the well is 104 acres. The estimated ultimate recovery from the Courtney Cowden No. 1 is 149,500 BO.
- 8. Petroplex will develop the Gladys Cowden (Strawn) Field by drilling infill wells into the Strawn then commingling the wells with the Spraberry zones.
- 9. Blanket Rule 10 exceptions have been approved to allow downhole commingling of production from the Spraberry (Trend Area) Field and more than 150 Strawn, Atoka, Bend and Pennsylvanian Fields including the Gladys Cowden (Strawn) Field.
- 10. Producing multiple reservoirs simultaneously would reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs.

CONCLUSIONS OF LAW

- 1. Proper notice of this hearing was given to all persons legally entitled to notice.
- 2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
- 3. Consolidation of the fields and adoption of the proposed Field Rules will prevent waste, protect correlative rights, satisfy statutory requirements and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission consolidate the Greentree, North (Strawn) Field into the Gladys Cowden (Strawn) Field and amend field rules, as requested by Petroplex Energy.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner

Michael Crnich
Legal Examiner