

THE APPLICATION OF CRIMSON ENERGY PARTNERS, L.P. TO AMEND FIELD RULES FOR THE BRISCOE RANCH (OLMOS) FIELD, DIMMIT COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on May 9, 2007

Appearances:

James Clark
Bill Spencer
Aaron Thesman

Representing:

Crimson Energy Partners, L.P.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unopposed application of Crimson Energy Partners for the Commission to amend the field rules for the Briscoe Ranch (Olmos) Field as adopted in Order No. 01-0245719, effective February 28, 2006, as amended, which currently provides for:

1. Designation of the field as the correlative interval from 4,288 feet to 5,041 feet as shown on the log of the Briscoe No. 1;
2. 467'-933' well spacing;
3. 160 acre oil units with 40 acre tolerance and a maximum diagonal of 4,500 feet and optional 80 acre units with a maximum diagonal of 3,250 feet;
4. Allocation based on 95% acreage and 5% per well.

Crimson Energy proposes the following:

1. No Change;
2. 330'-660' well spacing;
3. 160 acre oil units with 40 acre tolerance and a maximum diagonal of 4,500 feet and optional 40 acre units with a maximum diagonal of 2,100 feet;
4. Allocation based on 95% deliverability and 5% per well.

Crimson also proposed that the allocation formula remain suspended and that all

accrued overproduction be cancelled . The examiner recommends adoption of the field rules proposed by Crimson for the Briscoe Ranch (Olmos) Field.

DISCUSSION OF EVIDENCE

The Briscoe Ranch (Olmos) Field was discovered in 1955 as a gas field. There was no production from the field from about 1970 until June 2005 when an oil well was first completed. The field is being jointly developed by Crimson and Escondido Resources. The field has experienced active and rapid development from three wells in 2005 to 40 wells in February 2007. From 2005 to February 2007 the field has had a cumulative production of 220,000 BO and 2 BCF. Daily production from the field as of February 2007 is 434 BOPD and 6.3 MMCFD

Drainage calculations demonstrate the need for flexible density rules. The Briscoe No. 13 and No. 14 are both oil wells. The No. 13 well produces approximately 38 BOPD and 340 MCFD. The No. 14 produces approximately 144 BOPD and 439 MCFD. Based on an estimated recovery factor of 17.8% from other Olmos solution gas drive oilfields in the area, Crimson estimates that the No. 13 will ultimately recover 48,000 BO and the No. 14 will ultimately recover 150,000 BO. These wells are expected to drain about 26 acres and 36 acres respectfully. The Briscoe No. 15 well is a gas well flowing about 445 MCFD. Based on a 75% recovery factor, it is expected to produce over 508 MMCF and will drain 153 acres. All recently drilled wells have encountered virgin pressures and are not believed to be in communication with other wells.

The Briscoe Ranch (Olmos) Field is a multi-pay, low relief anticline. It is believed to be an ancient deltaic shoreline deposit with numerous channel sands. Crimson requests 330'-660' well spacing for the Briscoe Ranch (Olmos) Field so that it can target channel sands within the designated interval.

Crimson requests that a two factor allocation formula be adopted for the field because the correlative interval includes multiple, lenticular accumulations of hydrocarbons. Crimson proposed 95% deliverability and 5% per well to meet statutory requirements. Crimson also requests the allocation formula remain suspended for gas wells and that all accrued overproduction be cancelled.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.

2. The Briscoe Ranch (Olmos) Field was discovered in 1955 as a gas field. The field has remained dormant from 1970 to 2005. Since 2005, the field has seen active and rapid development.
3. A density rule providing for 160/optional 40 acre units is appropriate for the field.
 - a. The Briscoe Ranch (Olmos) Field has several lenticular sand members which are not present in all wells.
 - b. The calculated drainage areas for the Briscoe No. 13, (oil well) are about 26 acres.
 - c. The calculated drainage area for the Briscoe No. 14, (oil well) is about 36 acres.
 - d. The calculated drainage area for the Briscoe No. 15, (gas well) is about 153 acres.
4. Well spacing a minimum of 330 feet from lease lines and 660 feet between wells will provide additional flexibility in drilling wells to target undrained channel sands within the designated interval.
5. Allocation based on 95% deliverability and 5% per well is a reasonable formula which will protect correlative rights in the field and meet statutory requirements. The field is currently AOF status for gas wells.
6. Cancellation of any overproduction for the subject field will not harm correlative rights.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Adoption of the proposed field rules for the Briscoe Ranch (Olmos) Field and cancellation of accrued overproduction is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission adopt the field rules proposed by Crimson Energy Partners, L.P. for the

Briscoe Ranch (Olmos) Field, the allocation formula remain suspended for gas wells and all accrued overproduction be cancelled..

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner