

OIL AND GAS DOCKET NO. 01-0257034

THE APPLICATION OF TXCO RESOURCES, INC. TO AMEND FIELD RULES FOR THE COMANCHE-HALSELL (6500) FIELD, MAVERICK, DIMMIT AND ZAVALA COUNTIES, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Hearing Date: June 20, 2008

Appearances:

George C. Neale
Greg Cloud
Jeff Bookout
Gary Nyland
Lana Zamzow

James M. Clark

Representing:

TXCO Resources, Inc.

CMR Energy, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Comanche-Halsell (6500) Field were adopted in Oil and Gas Docket No. 01-0231164, effective June 25, 2002, as amended. The rules are summarized as follows:

1. The correlative interval from 6,510 feet to 6,620 feet as shown on the Slim Array Induction, Slim Litho & Bulk Density Compensated Neutron Log of the Saxet Energy, Ltd. - Comanche Lease Well No. 1-111, API No. 42-323-32599, I & GNRR Survey 111, A-717, Maverick County, Texas;
2. 800 BOPD MER Top Allowable.

TXCO Resources, Inc. requests to amend the field rules for the Comanche-Halsell (6500) Field as follows:

1. The correlative interval from 6,457 feet to 6,731 feet as shown on the Slim Array Induction, Slim Litho & Bulk Density Compensated Neutron Log of the Saxet Energy, Ltd. - Comanche Lease Well No. 1-111, API No. 42-323-32599, I & GNRR Survey 111, A-717, Maverick County, Texas;
2. 330'-933' well spacing;

3. 40 acre oil units with optional 20 acre units;
4. 800 BOPD MER Top Allowable.

The application was unopposed and the examiner recommends that the field rules for the Comanche-Halsell (6500) Field be amended as requested by TXCO.

DISCUSSION OF EVIDENCE

The Comanche-Halsell (6500) Field was discovered in February 2002 by the completion of the Saxet Energy, Ltd. - Comanche Lease Well No. 1-111 through open hole from 6,457 feet to 6,731 feet. Cumulative production from the field through March 2008 is 5.2 MMBO with no measurable gas. There are 65 active oil wells in the field which in total produce about 2,846 BOPD and no measurable gas. The field has an 800 BOPD MER top allowable and TXCO is one of three operators in the field.

The Comanche-Halsell (6500) Field produces from the Glen Rose reef at an average depth of approximately 6,500 feet. The reef contains individual porosity pods which are identified by amplitude anomalies from 3-D seismic data. The porosity pods are usually less than 20 acres in areal extent. Initially, vertical wells are drilled into the porosity pod and then a horizontal lateral is drilled along the total length of the porosity pod. TXCO is requesting to expand the correlative interval to include the entire Glen Rose reef interval instead of the current interval that only contains the porosity development.

Because of the erratic porosity pod distribution, the current field development is requiring numerous Rule 37 exception applications to be filed by the operators in the field. As a result, TXCO requests 330'-933' well spacing and 40 acre density with optional 20 acre units for the Comanche-Halsell (6500) Field, so that wells can be placed at optimum locations within the Glen Rose reef porosity pods. TXCO also requests that the 800 BOPD MER Top Allowable remain in effect for the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Comanche-Halsell (6500) Field was discovered in February 2002 by the completion of the Saxet Energy, Ltd. - Comanche Lease Well No. 1-111 through open hole from 6,457 feet to 6,731 feet.
3. Cumulative production from the field through March 2008 is 5.2 MMBO with no measurable gas. There are 65 active oil wells in the field which in total produce about 2,846 BOPD and no measurable gas.
4. The Comanche-Halsell (6500) Field produces from the Glen Rose reef at an

average depth of approximately 6,500 feet.

5. The porosity pods are usually less than 20 acres in areal extent. Initially, vertical wells are drilled into the porosity pod and then a horizontal lateral is drilled along the total length of the porosity pod.
6. Optional 20 acre density will allow wells to be placed at optimum locations within the Glen Rose reef porosity pods.
7. The proposed 330'-933' well spacing will eliminate most of the Rule 37 exception applications.

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. Amending field rules for the Comanche-Halsell (6500) Field is necessary to prevent waste, protect correlative rights, and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the field rules for the Comanche-Halsell (6500) Field be amended as proposed by TXCO Resources, Inc.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner