

OIL AND GAS DOCKET NO. 01-0262776

THE APPLICATION OF NCEY HOLDINGS, LLC TO AMEND FIELD RULE NO. 2 FOR THE HODDE (WALES SAND) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

HEARING DATE: September 17, 2009

APPEARANCES:

REPRESENTING:

Luis Aceves

NCEY Holdings, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Hodde (Wales Sand) Field were originally adopted in Docket No. 01-0255374, effective May 29, 2008. The rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 5,327 feet to 5,378 feet as shown on the log of the Century Resources Inc., A.W. Hodde No. 1;
2. 467'-1,200' well spacing;
3. 80 acre oil units, maximum diagonal of 3,250' and 40 acre tolerance;
4. Allocation based on 100% acreage.

NCEY Holdings, LLC ("NCEY") requests that Field Rule No. 2 be amended to provide for 467'-933' well spacing.

This application was unopposed and the examiner recommends that Field Rule No. 2 for the Hodde (Wales Sand) Field be amended, as requested by NCEY.

DISCUSSION OF EVIDENCE

The Hodde (Wales Sand) Field was discovered in June 2005 at a depth of 5,330 feet. Only one producing well is carried on the oil proration schedule and NCEY is the only operator in the field. Field Rules for the Hodde (Wales Sand) Field provide for 467'-1,200' well spacing, 80 acre oil units with a 40 acre tolerance and allocation based on 100% acreage. Cumulative production from the field through July 2009 is 179.3 MBO and no casinghead gas.

The Hodde (Wales Sand) Field produces from a Lower Wilcox sand on an anticlinal trap which is known to be a limited reservoir and highly faulted in the area. The primary drive mechanism is a strong water drive, as exhibited by the production data graph that has no decline rate. One offset well was drilled to the northwest at a regular between well spacing of 1,200 feet and was a dry hole after penetrating the Lower Wilcox sand on the downside of a sealing fault. The proposed 467'/933' well spacing will allow NCEY greater flexibility locating infill wells in optimum locations between the faults.

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 Hodde (Wales Sand) Field was discovered in June 2005 at a depth of 5,330 feet. Only one producing well is carried on the oil proration schedule and NCEY is the only operator in the field.
3. Field Rules for the Hodde (Wales Sand) Field provide for 467'-1,200' well spacing, 80 acre oil units with a 40 acre tolerance and allocation based on 100% acreage.
4. The Hodde (Wales Sand) Field produces from a Lower Wilcox sand on an anticlinal trap which is known to be a limited reservoir and highly faulted in the area.
5. The primary drive mechanism is a strong water drive, as exhibited by the production data graph that has no decline rate.
6. The proposed 467'-933' well spacing will allow NCEY greater flexibility locating infill wells in optimum locations between the faults.

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 Rule No. 2 for the Hodde (Wales Sand) 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 Field Rule No. 2 for the Hodde (Wales Sand) Field be amended to provide for 467'-933' well spacing, as requested by NCEY.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner