

OIL AND GAS DOCKET NO. 01-0264380

**THE APPLICATION OF TEXAS SECONDARY OIL CORPORATION TO AMEND THE
FIELD RULES FOR THE ADAMS (BUDA) FIELD, MEDINA COUNTY, TEXAS**

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

DATE OF HEARING: February 17, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

Gene Day
Phil McCool
Russell Wheeler

Texas Secondary Oil Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Adams (Buda) Field were adopted in Final Order No. 1-66,891, effective March 14, 1977. The rules are summarized as follows:

1. 233'-660' well spacing;
2. 10 acre oil units with a maximum diagonal of 1,200 feet;
3. 100% acres allocation.

Texas Secondary Oil Corporation ("Texas Secondary") requests that the Field Rules be amended to provide for a correlative interval, 233'-330' well spacing, 5 acre oil units with a maximum diagonal of 1,200 feet and 100% acres allocation.

This application was unopposed and the examiner recommends that the Field Rules for the Adams (Buda) Field be amended, as proposed by Texas Secondary.

DISCUSSION OF EVIDENCE

The Adams (Buda) Field was discovered in August 1976 at an average depth of 1,800 feet. The field currently operates under Field Rules providing for 233'-660' well spacing, 10 acre density and 100% acres allocation. There are 16 producing wells carried on the proration schedule and the top allowable is 21 BOPD with a casinghead gas limit of

42 MCFGPD. Texas Secondary operates all but one producing well, which is operated by Black Creek Oil Company, LLC. Three other operators have one well each, but their leases have a severed status. Cumulative production from the field through December 2009 is 290.6 MBO and 361.1 MMCFG.

Texas Secondary requests that the correlative interval from 1,435 feet to 1,860 feet as shown on the log of the Hughes and Hughes - Robert W. Wood Lease, Well No. 1 (API No. 42-325-30393), be designated as a single reservoir for proration purposes and be designated as the Adams (Buda) Field. The field interval contains both the Austin Chalk and Buda formations. Although the Buda formation has been tested and produces limited amounts of oil, all of the current producing wells are only completed in the Austin Chalk formation.

The Austin Chalk reservoir has an average matrix porosity of 22%, an average water saturation of 28%, an average net pay thickness of 20 feet and an estimated recovery factor of 8%. Texas Secondary calculated an original oil in place on their Wood lease of 3.4 MMBO. Declining fluid rates and low water cuts indicate solution gas drive as the primary drive mechanism for the reservoir. Since the average well producing rate is only 1 BOPD, the field is in the final stages of primary depletion.

Texas Secondary provided an average drainage area calculation for their fifteen wells in the field. The average drainage area was calculated to be approximately 5.2 acres. Texas Secondary will be actively developing the field by drilling infill wells and requests that Field Rules be adopted to provide for 233'-330' well spacing, 5 acre oil units and allocation based on 100% acres. Texas Secondary submitted a tabulation of eight nearby Austin Chalk and Buda fields showing that the typical well spacing was 150'-300' and the typical density was either two or five acres.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Adams (Buda) Field was discovered in August 1976 at an average depth of 1,800 feet.
3. The field currently operates under Fields Rules providing for 233'-660' well spacing, 10 acre density and 100% acres allocation.
4. There are 16 producing wells carried on the proration schedule and the top allowable is 21 BOPD with a casinghead gas limit of 42 MCFGPD.
5. Texas Secondary operates all but one producing well, which is operated by Black Creek Oil Company, LLC. Three other operators have one well each, but their leases have a severed status.

6. The correlative interval from 1,435 feet to 1,860 feet as shown on the log of the Hughes and Hughes - Robert W. Wood Lease, Well No. 1 (API No. 42-325-30393), should be designated as a single reservoir for proration purposes and be designated as the Adams (Buda) Field.
7. The field interval contains both the Austin Chalk and Buda formations. Although the Buda formation has been tested and produces limited amounts of oil, all of the current producing wells are only completed in the Austin Chalk formation.
8. Declining fluid rates and low water cuts indicate solution gas drive as the primary drive mechanism for the reservoir. Since the average well producing rate is only 1 BOPD, the field is in the final stages of primary depletion.
9. The Austin Chalk reservoir has an average matrix porosity of 22%, an average water saturation of 28%, an average net pay thickness of 20 feet and an estimated recovery factor of 8%. Texas Secondary calculated an original oil in place on their Wood lease of 3.4 MMBO.
10. Texas Secondary provided an average drainage area calculation for their fifteen wells in the field. The average drainage area was calculated to be approximately 5.2 acres.
11. Texas Secondary will be actively developing the field by drilling infill wells and requests that Field Rules be adopted to provide for 233'-330' well spacing, 5 acre oil units and allocation based on 100% acres.
12. Texas Secondary submitted a tabulation of eight nearby Austin Chalk and Buda fields showing that the typical well spacing was 150'-300' and the typical density was either two or five acres.

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 the Field Rules for the Adams (Buda) Field will 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 Adams (Buda) Field be amended, as proposed by Texas Secondary Oil Corporation.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner