



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0281024

THE APPLICATION OF VIRTEX OPERATING COMPANY, INC. TO AMEND FIELD RULES FOR THE JOURDANTON (BUDA) FIELD, ATASCOSA COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

DATE OF HEARING: April 4, 2013

APPEARANCES: **REPRESENTING:**

APPLICANT:

Dale Miller
Robert Critchlow

Virtex Operating Company, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Jourdanton (Buda) Field were adopted in Final Order No. 01-0276981, effective October 2, 2012. The current Field Rules are summarized as follows:

1. Designated correlative interval from 6,839' to 6,944', as shown on the log of the Virtex Operating Company, Inc. - S.P.J.S.T. Lodge Lease, Well No. 7 (API No. 42-013-34238);
2. 467'-1200' well spacing;
3. 80 acre units with optional 40 acre density;
4. Allocation based on 100% acreage with 100% AOF status.

Virtex Operating Company, Inc. ("Virtex") requests that the following formula be utilized to determine the allocation of additional acreage to horizontal drainhole wells:

$$A = (L \times 0.11488) + 80$$

Where;

A = acreage assignable, if available, to a horizontal drainhole for proration purposes rounded upward to the next whole number evenly divisible by 40 acres;

L = length of the horizontal drainhole well lateral displacement in feet;

Virtex also requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well with no maximum diagonal limitation.

The application is unopposed and the examiners recommend that the Field Rules for the Jourdanton (Buda) Field be amended, as proposed by Virtex.

DISCUSSION OF THE EVIDENCE

The Jourdanton (Buda) Field was discovered in August 1967 at an average depth of 7,000 feet. The field is classified as associated-100% AOF and there are two producing oil wells, one producing gas well and three operators carried on the proration schedules. Field Rules currently provide for 467'-1200' well spacing and 80 acre units with optional 40 acre density. Cumulative production from the field through March 2013 is 171.6 MBO and 2.6 BCFG.

Virtex is developing the Jourdanton (Buda) Field by drilling horizontal drainhole wells and requests Field Rules that will promote the efficient and effective development of the remaining hydrocarbons. Virtex requests that the following formula be utilized to determine the allocation of additional acreage to horizontal drainhole wells:

$$A = (L \times 0.11488) + 80$$

Where;

A = acreage assignable, if available, to a horizontal drainhole well for proration purposes rounded upward to the next whole number evenly divisible by 40 acres;

L = length of the horizontal drainhole well lateral displacement in feet;

While drilling the Gonzales Lease, Well No. 1H, Virtex encountered a lost circulation zone that had been depleted by the offset Schnook Lease, Well No. 2-A, which had already produced almost 10,000 barrels of oil. The two subject wells were located along a seismic fault line and were 5,658 feet apart. Virtex calculated that this distance represented a radial drainage area of 2,309 acres. To date, the average horizontal

drainhole well lateral length has been 4,149 feet. The average lateral length in the proposed additional acreage allocation formula would allow the assignment of 600 acres to a horizontal drainhole well. The formula allows 280 additional acres to be assigned to a horizontal drainhole well than would be allowed under Statewide Rule 86. Virtex submitted a tabulation of 24 fields in RRC Districts 1, 2 and 3 that have adopted a similar horizontal drainhole well additional acreage allocation formula.

Virtex also requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well with no maximum diagonal limitation.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Jourdanton (Buda) Field was discovered in August 1967 at an average depth of 7,000 feet.
 - a. The field is classified as associated-100% AOF and there are two producing oil wells, one producing gas well and three operators carried on the proration schedules.
 - b. Field Rules currently provide for 467'-1200' well spacing and 80 acre units with optional 40 acre density.
3. Virtex Operating Company, Inc. ("Virtex") is developing the Jourdanton (Buda) Field by drilling horizontal drainhole wells and requests Field Rules that will promote the efficient and effective development of the remaining hydrocarbons.
4. Field Rules for the Jourdanton (Buda) Field that provide for a formula to determine the allocation of additional acreage to horizontal drainhole wells are appropriate for the field.
 - a. While drilling the Gonzales Lease, Well No. 1H, Virtex encountered a lost circulation zone that had been depleted by the offset Schnook Lease, Well No. 2-A, which had already produced almost 10,000 barrels of oil.
 - b. The two subject wells were located along a seismic fault line and were 5,658 feet apart. Virtex calculated that this distance represented a radial drainage area of 2,309 acres.

- c. To date, the average horizontal drainhole well lateral length has been 4,149 feet.
 - d. The average lateral length in the proposed additional acreage allocation formula would allow the assignment of 600 acres to a horizontal drainhole well. The formula allows 280 additional acres to be assigned to a horizontal drainhole well than would be allowed under Statewide Rule 86.
 - e. A tabulation of fields in RRC Districts 1, 2 and 3 shows that 24 fields have adopted a similar horizontal drainhole well additional acreage allocation formula.
5. The filing of Form P-15 to designate the number of acres to be assigned to each well for proration purposes with no proration unit plats will eliminate unnecessary paperwork.

CONCLUSIONS OF LAW

- 1. Proper notice was given as required by statute.
- 2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
- 3. Amending the Field Rules for the Jourdanton (Buda) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

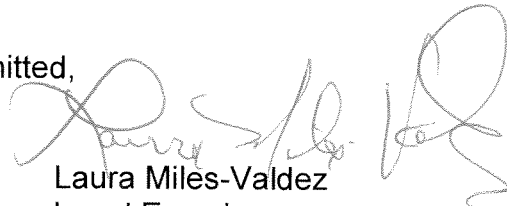
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the Field Rules for the Jourdanton (Buda) Field, as requested by Virtex Operating Company, Inc.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Laura Miles-Valdez
Legal Examiner