

October 13, 2006

OIL AND GAS DOCKET NO. 03-0248846

APPLICATION OF CYPRESS E&P CORPORATION TO AMEND THE FIELD RULES FOR THE TAVENER (FRIO 4400) FIELD, FORT BEND COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: October 9, 2006

APPEARANCES:

Don Rhodes

Donald Pfau (via phone)

REPRESENTING:

Cypress E&P Corp.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Cypress E&P Corp. to amend the Special Field Rule No. 2 as adopted in Order No. 3-83,890, effective November 12, 1984, as amended, for the Tavener (Frio 4400) Field that currently provide for the following:

1. Minimum well spacing of 467'/1200' (lease line/between well);
2. 160 acre gas proration units plus 10% tolerance and a maximum diagonal of 4,500';
3. An allocation formula based on 100% acreage.

Cypress E&P proposes amending Rule No. 2 as follows:

2. 320 acre gas proration units plus 10 acre tolerance and a maximum diagonal of 5,500' and optional 160 acre density and a maximum diagonal of 4,500'.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Tavener (Frio 4400) Field was discovered in 1964 by completion of the Coastline Exploration, Brinkmeyer "J" Well No. 1 at 4,398' subsurface depth. The well ceased producing in December 1989 with cumulative production of 39.6 MMCF of gas and 8,900 BO. No other wells produced from the field until completion of the Cypress E&P Corp., Holmes et al Lease Well No. 1 September 2005 through perforations from 4,482' to 4,485' subsurface depth. The well potentialized at 244 MCFD. Special Field Rules were adopted in Order No. 3-83,890, effective November 12, 1984 which provide for minimum well spacing of 467'/1200', 160 acre gas proration units and an allocation formula based on 100% acreage.

Proration unit density of 320 acres and optional 160 acres is necessary to provide for the efficient and effective depletion of the reservoir. The Frio reservoirs in this area are relatively flat, thin lenses that contain a small gas column overlying water. The drive mechanism of the reservoir is one of water influx from the bottom. It is essential to produce wells in a slow manner to prevent water coning. This allows a uniform and constant reservoir pressure for the ultimate recovery of hydrocarbons. The Holmes et al Well No. 1 has cumulative production of 77.2 MMCF of gas. The well has been consistently producing at ± 260 MCFD since initial production in October 2005. An example of an analogist well/field is the Cypress operated Sadie Miller Well No. 2 producing from the Tavener (Frio 5025) Field. The well was completed in 2000 on a 352 acre unit which encompasses the productive limits of the reservoir. The well has produced constantly at ± 270 MCFD for the past 5 years. Volumetric analysis of the Holmes well estimates 711 MCF/AcFt. It is estimated that the subject reservoir is approximately 200 acres which yields a volume of 569 MMCF of recoverable gas.

Cancellation of overproduction will not harm correlative rights as the Holmes et al Lease Well No. 1 (RRC Id. No. 217294) is the only well in the field.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Tavener (Frio 4400) Field was discovered in 1964 by completion of the Coastline Exploration, Brinkmeyer "J" Well No. 1 at 4,398' subsurface depth.
 - a. The well ceased producing in December 1989 and no other wells produced from the field until completion of the Cypress E&P Corp., Holmes et al Lease Well No. 1 September 2005.
 - b. Special Field Rules were adopted in Order No. 3-83,890, effective November 12, 1984 which provide for minimum well spacing of 467'/1200', 160 acre gas proration units and an allocation formula.
4. Proration unit density of 320 acres and optional 160 acres is necessary to provide for the efficient and effective depletion of the reservoir.
 - a. The Frio reservoirs in this area are relatively flat, thin lenses that contain a small gas column overlying water drive mechanism and it is essential to produce wells in a slow manner to prevent water coning.
 - b. The Holmes et al Well No. 1 has cumulative production of 77.2 MMCF of gas and

has been consistently producing at ± 260 MCFD since initial production in October 2005. The subject reservoir is approximately 200 acres containing 569 MMCF of recoverable gas.

- c. An analogist well/field is the Cypress operated Sadie Miller Well No. 2 producing from the Tavener (Frio 5025) Field which was completed in 2000 on a 352 acre unit which encompasses the productive limits of the reservoir. The well has produced constantly at ± 270 MCFD for the past 5 years.
5. Cancellation of overproduction will not harm correlative rights at the Holmes Lease (RRC Id. No. 217294) is the only well in the field.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration for field rules, a determination of their effectiveness and appropriate actions are a matter within the Commission jurisdiction.
4. Adoption of the proposed amended field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed amended field rules for the Tavener (Frio 4400) Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel