

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 03-0256611

**THE APPLICATION OF COBRA OIL AND GAS CORP. TO AMEND THE FIELD RULES
FOR THE HULL, SOUTH (YEGUA 9550) FIELD, LIBERTY COUNTY, TEXAS**

Heard by: Andres J. Trevino, P.E. Technical Examiner

Hearing Date: May 21, 2008

Appearances:

Jim Cowden
Rick Johnston

Representing:

Cobra Oil and Gas Corp.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Hull, South (Yegua 9550) Field were last amended by Order No. 03-0240381, effective November 23, 2004. The rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 9,400 feet to 9,520 feet as shown on the log of the Cahoon Unit No. 1;
2. 933'-1,867' well spacing;
3. 160 acre gas units with a maximum diagonal of 4,500 feet;
4. Allocation based on 100% acreage.

Cobra Oil and Gas Corp. requests that the rules be amended as follows:

1. Designation of the field as the correlative interval from 9,400 feet to 9,520 feet as shown on the log of the Cahoon Unit No. 1 (No Change);
2. 467'-933' well spacing;

3. 160 acre gas units with a maximum diagonal of 4,500 feet; optional 80 acre units with a maximum diagonal of 3,250 feet;
4. Allocation based on 100% acreage (No Change).

Cobra also requests that the allocation formula for the field remain suspended.

This application was unopposed and the examiner recommends that the field rules for the Hull, South (Yegua 9550) Field be amended as requested.

DISCUSSION OF EVIDENCE

The Hull, South (Yegua 9550) Field was discovered in 1976. The field is an associated gas field with 5 wells. Current deliverabilities average 500 MCFD per well for two of the wells and the two other wells average 100 MCF per day each. The fifth well is temporarily abandoned. Cumulative production from the field is 13.9 BCF of gas and 118,760 BO. The allocation formula has been suspended since 2004.

Field rules adopted in 2002 provided for 160 acre density and 933'/1,867' well spacing. Cobra now believes that the addition of a 80 acre optional density is necessary to maximize recovery from the field.

Cobra presented drainage calculations for Cahoon Unit No. 1 in the field to substantiate the requested rules. Using decline curve analysis and reservoir information taken from available well logs, assuming a 28.0% porosity, 28.0% water saturation and a 79.4% recovery factor, drainage area calculations showed the well will drain 48.5 acres. The EUR for the Cahoon Unit No. 1 is estimated to be 5,893 MMCF.

Cobra requests that allocation formula remain based on 100% acreage and that the allocation formula remain suspended as there remains a 100% demand for all gas produced from the field.

Cobra is targeting 3D seismic bright spots to find hydrocarbon accumulations. The field is located in a swampy wetland area. Cobra requests that the spacing rule be amended to provide for a minimum of 467 feet from lease lines and 933 feet between wells. The proposed well spacing rules will allow the drilling pad to be placed over drier land. The proposed well spacing rules will also allow additional flexibility in locating new wells on the proposed 80 acre optional units, thus will allow the recovery of additional reserves that would otherwise remain unrecovered.

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 Hull, South (Yegua 9550) Field was discovered in 1976.

3. The field is an associated gas field. Rules governing the field provide for 933'-1,867' well spacing, 160 acre density and 100% acreage allocation.
4. There are 5 gas wells and no oil wells in the field.
5. Development with optional 80 acre density is necessary to maximize recovery from the field. The Cahoon Unit No. 1 has a calculated drainage area of 48.5 acres based on 5,893 MMCF ultimate recovery.
6. Cobra is targeting 3D seismic bright spots to find hydrocarbon accumulations. The field is located in a swampy wetland area where finding a dry spot to place a drilling pad is difficult.
7. Spacing a minimum of 467 feet from lease lines and 933 feet between wells will allow the recovery of additional reserves through flexible well spacing.
8. Cobra requests that allocation based on 100% acreage remain unchanged and that the allocation formula remain suspended.

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 Hull, South (Yegua 9550) Field is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the field rules for the Hull, South (Yegua 9550) Field be amended as requested by Cobra Oil and Gas Corp.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner