

THE APPLICATION OF COBRA OIL & GAS CORPORATION TO ADOPT FIELD RULES FOR THE PEPPIATT (YEGUA 8500) FIELD, HARDIN COUNTY, TEXAS

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

Hearing Date: August 22, 2008

Appearances:

John Fontenot

Representing:

Cobra Oil & Gas Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules (Statewide Rules) for the Peppiatt (Yegua 8500) Field are summarized as follows:

1. 467'-1,200' well spacing;
2. 40 acre oil units with 20 acre tolerance;
3. Allocation based on 100% per well.

Cobra Oil & Gas Corporation requests that field rules be adopted as follows :

1. Designation of the field as the correlative interval from 8,554 feet to 8,578 feet (TVD) as shown on the log of the Cobra Oil & Gas Corporation's, Issac No. 2;
2. 467'-1,200' well spacing;
3. 80 acre oil units, maximum diagonal of 3,250', 40 acre tolerance;
4. Allocation based on 100% acreage.

Cobra Oil & Gas Corporation also requested that accrued overproduction be cancelled. This application was unopposed and the examiner recommends that the field rules for the Peppiatt (Yegua 8500) Field be adopted as requested.

DISCUSSION OF EVIDENCE

The Peppiatt (Yegua 8500) Field was discovered in September 2005 with the completion of the Issac, Well No, 2. The well is perforated between 8,646 feet to 8,649 feet (MD). Cobra has completed three other wells in the field. Cumulative production from the field is approximately 272,900 BO. There are no other operators in the field.

Cobra has completed the Issac Well No, 2, the No.3 and the Abraham Unit No.1. The wells potentialed 70 BOPD, 286 BOPD and 336 BOPD respectfully. The wells produced no water. The drainage radius calculation demonstrate the need for larger drilling units. Cobra provided drainage calculations for the three wells. The estimated drainage area for the wells varied between 46 acres and 88 acres. These calculations are based on a porosity of 22-25%, water saturation of 30%, net pay thickness of 11-15 feet and a recovery factor of 30%. The estimated ultimate recovery for the wells varied between 144 MBO to 220 MBO. The wells have a high recovery factor due to the reservoir having a substantial water drive.

The wells are completed in the Yegua 8500 sand. The 467'/1,200' spacing will allow Cobra to drill wells in optimum locations between any oil/water contact. Numerous other oil fields producing from the Yegua in the area have similar 80 acre density to the proposed Peppiatt (Yegua 8500) Field rules.

Cobra request to cancel over production for the Isaac lease. The wells had initial high rates of production due to the strong water drive. The wells on the Isaac lease currently produce below their allowable. The estimated over production for the Isaac lease is 15,488 barrels of oil.

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. Statewide field rules for the Peppiatt (Yegua 8500) Field provide for 467'-1,200' well spacing, 40 acre oil units and allocation based on 100% per well.
3. The Peppiatt (Yegua 8500) Field was discovered in 2005 and cumulative production from the field is approximately 272,900 BO.
4. The Peppiatt (Yegua 8500) Field should be designated as the entire correlative interval between 8,554 feet to 8,578 feet (TVD) as shown on the log of the Cobra Oil & Gas Corporation's, Issac No. 2.
5. A density rule providing for 80 acre units is appropriate for the field.
 - a. The calculated drainage area for the Isaac, Well No. 2, is 51 acres based on 197,000 BO estimated ultimate recovery.

- b. The calculated drainage area for the Isaac, Well No. 3, is 88 acres based on 220,000 BO estimated ultimate recovery.
- c. The calculated drainage area for the Abraham Unit, Well No. 1, is 46 acres based on 144,000 BO estimated ultimate recovery.
- 6. The proposed 467'-1,200' well spacing will accommodate development on 80 acres as the Yegua sand is of limited size with an oil/water contact.
- 7. Numerous other oil fields in the area completed in the Yegua sands have similar 80 acre density.
- 8. Cancellation of any overproduction for the subject field will not harm correlative rights.

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. Adopting field rules for the Peppiatt (Yegua 8500) Field and cancellation of accrued overproduction is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that field rules for the Peppiatt (Yegua 8500) Field be adopted to provide for 80 acre units, 467'-1,200' well spacing and cancellation of accrued overproduction.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner