December 1, 2006

OIL AND GAS DOCKET NO. 04-0249518

APPLICATION OF SUEMAUR EXPL. & PROD., LLC TO CONSIDER FIELD RULES FOR THE MERCEDES (FRIO 11,900) FIELD, HIDALGO COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.
DATE OF HEARING: December 1, 2006

APPEARANCES:	**REPRESENTING:**
Dale E. Miller	Suemaur Expl. & Prod., LLC

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Suemaur Expl. & Prod., LLC for the Commission to consider temporary field rules for the Mercedes (Frio 11,900) Field that provide for:

1. The entire correlative interval from 10,628' to 11,946' subsurface depth as shown on the Schlumberger Dual Gamma Ray Induction log of the Suemaur Expl. & Prod., LLC, Torres GU Lease Well No. 1A, J.J. Ynojosa de Balli Survey, A-54, Hidalgo County, Texas should be recognized and designated as the Mercedes (Frio 11,900) Field.

2. Minimum well spacing of 330'/660' (lease line/between well),

3. 40 acre proration units with 10% tolerance and maximum diagonal of 2,100';

4. An allocation formula based on 95% deliverability and 5% per well.

The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Mercedes (Frio 11,900) Field was discovered August 11, 2004 by completion of the Suemaur Expl. & Prod., Torres et al Gas Unit Lease Well No. 1A through perforations from 11,911' to 11,946' subsurface depth. The well AOF potentialed at 15,494 MCFD and the bottomhole pressure was measured at 11,165 psig. The well was fracture stimulated with approximately 300,000#’s of propent. Suemaur Expl. & Prod. is the only operator in the field and has recently completed a second well, the Torres et al Gas Unit Well No. 1ST, through perforations from 11,960' to 11,970' subsurface depth

It is proposed that the entire correlative interval from 10,628' to 11,946' subsurface depth as shown on the Schlumberger Dual Gamma Ray Induction log of the Suemaur Expl. & Prod., LLC,

Torres GU Lease Well No. 1A, J.J. Ynojosa de Balli Survey, A-54, Hidalgo County, Texas should be recognized and designated as the Mercedes (Frio 11,900) Field. The Torres et al Gas Unit Lease Well No. 1A was recently recompleted with perforations above the recognized new field interval but in a wildcat Frio interval. The subject well was granted downhole commingling authority. Suemaur Expl. & Prod. proposes additional wells that may also find these upper intervals to be productive and believes that it is necessary that all the Frio Sands should be produced simultaneously. Basic reservoir parameters are: average porosity is 17.5%, average water saturation is 57.5%, and the average net pay is 106 feet.

Proration unit density of 40 acres is necessary to provide for the efficient and effective depletion of the reservoir. The Torres GU Lease Well No. 1A has cumulative production of 898 MMCF of gas from August 2004 through September 2206. Production in the well had decreased to 7,791 MCF in July 2006. The addition of the upper perforations (and the downhole commingling) the production increased to 75.5 MMCF in September 2006. The well currently produces at 2,500 MCFD. Volumetric analysis estimates recoverable gas-in-place to be 3 BCF for 40 acres. Production decline analysis estimates the ultimate recovery of the subject well to be 2.2 BCF of gas. The calculated drainage area is 30 acres.

The proposed minimum well spacing, 330'/660' (leaseline/between well) will provide flexibility in locating wells in the subject field area because of surface restrictions cause by suburban developments.

Because the field interval is combining potentially multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

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 Mercedes (Frio 11,900) Field was discovered August 11, 2004 by completion of the Suemaur Expl. & Prod., Torres et al Gas Unit Lease Well No. 1A through perforations from 11,911' to 11,946' subsurface depth.

   a. Suemaur Expl. & Prod. is the only operator in the field with two wells.

4. The entire correlative interval from 10,628' to 11,946' subsurface depth as shown on the Schlumberger Dual Gamma Ray Induction log of the Suemaur Expl. & Prod., LLC, Torres GU Lease Well No. 1A, J.J. Ynojosa de Balli Survey, A-54, Hidalgo County, Texas should be recognized and designated as the Mercedes (Frio 11,900) Field.

5. Proration unit density of 40 acres is necessary to provide for the efficient and effective depletion of the reservoir.

   a. The Torres GU Lease Well No. 1A has cumulative production of 898 MMCF of gas from August 2004 through September 2206. Production in the well had decreased to 7,791 MCF in July 2006 and currently produces at 2,500 MCFD.

   b. Volumetric analysis estimates recoverable gas-in-place to be 3 BCF for 40 acres and production decline analysis estimates the ultimate recovery of the subject well to be 2.2 BCF of gas.

   c. The calculated drainage area is 30 acres.

6. The proposed minimum well spacing, 330'/660' (leaseline/between well) will provide flexibility in locating wells in the subject field area because of surface restrictions cause by suburban developments.

7. The field interval is combining potentially multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

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 of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.

4. Adoption of the proposed 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 field rules for the Mercedes (Frio 11,900) Field.

Respectfully submitted,

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