

THE APPLICATION OF PALADIN PETROLEUM III, LLC TO EXPAND THE CORRELATIVE INTERVAL FOR THE FALFURRIAS (9200 VICKSBURG) FIELD AND ADOPT A TWO FACTOR ALLOCATION FORMULA FOR THE FIELD, JIM WELLS AND KLEBERG COUNTIES, TEXAS

Heard by: Donna K. Chandler on January 4, 2007

Appearances:

Doug Dashiell
Jerry Ilseng

Representing:

Paladin Petroleum III, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Paladin Petroleum III, LLC requests that the correlative interval for the Falfurrias (9200 Vicksburg) Field be expanded to include additional productive sands. Paladin proposes that the field be defined as the correlative interval between 8,950 feet and 9,150 feet as shown on the log of the Wright No. 4. Paladin also requests that a two factor allocation formula be adopted for the field which provides for allocation based on 95% deliverability and 5% per well.

This application was unopposed and the examiner recommends approval of Paladin's request to expand the correlative interval for the field and adopt a two factor allocation formula.

DISCUSSION OF THE EVIDENCE

The Falfurrias (9200 Vicksburg) Field was discovered in 1981 upon completion of the Rupp No. 3 by Texas Oil & Gas Corporation. The approved field interval, as taken from Form P-7, is from 9,198 feet to 9,208 feet as shown on the log of the discovery well. The field operates under Statewide Rules and the allocation formula is suspended. Three wells are carried on the current proration schedule, but all three are inactive.

Paladin Petroleum III, LLC recently completed its Wright No. 4. This well is perforated between 9,070 and 9,134 feet, but additional pay intervals exist both above and below the current field interval, but within the Loma Blanca Vicksburg.

Paladin requests that the current field designation be expanded to include the

additional pay zones within the Loma Blanca Vicksburg. Paladin requests that the field be defined as the correlative interval between 8,950 feet and 9,150 feet as shown on the log of the Wright No. 4.

Paladin estimates that an additional 36.5 MMCF of gas will be recovered as a result of the proposed expansion of the field interval and elimination of the costs associated with separate completions in each zone. Additionally, some zones would not be economic to produce as separate completions. All of the sands within the proposed correlative interval are Vicksburg sands with similar reservoir and fluid properties.

Because the proposed designated intervals contains multiple sands, a two factor allocation formula is required by statute. Paladin proposes that allocation be based on 95% deliverability and 5% per well. This allocation formula is currently suspended and Paladin requests continuation of this status.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators of wells in the Falfurrias (9200 Vicksburg) Field at least ten days prior to the date of hearing.
2. The Falfurrias (9200 Vicksburg) Field was discovered in 1981 upon completion of the Rupp No. 3 by Texas Oil & Gas Corporation. The approved field interval, as taken from Form P-7, is from 9,198 feet to 9,208 feet as shown on the log of the discovery well.
3. Expansion of the correlative interval for the field to include the additional pay zones found in the Wright No. 4 will maximize ultimate recovery by lowering the economic limit of the combined zones.
4. Expansion of the correlative interval for the field will not cause waste because the interval includes only Loma Blanca Vicksburg sands which have similar reservoir and fluid properties.
5. The Falfurrias (9200 Vicksburg) Field Field should be designated as the correlative interval from 8,950 feet to 9,150 feet as shown on the log of the Wright No. 4.
6. Allocation based on 95% deliverability and 5% per well is a reasonable allocation formula which satisfies statutory requirements. The field is currently AOF status.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.

2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Consolidation of the proposed field interval and field rules as proposed by Paladin Petroleum III, LLC is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that field rules be adopted for the Falfurrias (9200 Vicksburg) Field to designate a correlative interval and adopt a two factor allocation formula. It is recommended that the allocation formula for the field remain suspended.

Respectfully submitted,

Donna K. Chandler
Technical Hearings Examiner