

THE APPLICATION OF REVELLE RESOURCES TO CONSIDER TEMPORARY FIELD RULES FOR THE DASKAM, SOUTH (RINCON) FIELD, HIDALGO COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on June 26, 2008

Appearances:

Greg Cloud

Representing:

Reveille Resources

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Reveille Resources requests that temporary field rules be adopted for the Daskam, South (Rincon) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 5,710 feet to 5,876 feet as shown on the log of the Butler No. 1;
2. 467' - 1,200' well spacing;
3. 160 acre gas units with 10% tolerance and a maximum diagonal of 5,000 feet;
4. Allocation based on 75% acreage and 25% deliverability.

This application was unopposed and the examiner recommends adoption of the temporary field rules proposed by Reveille Resources.

DISCUSSION OF EVIDENCE

The Daskam, South (Rincon) Field was discovered in August 2007 upon completion of the Butler No. 1 by Greehey & Company. No other wells have been completed in the field and Reveille believes the existing well will drain the fault block.

The Butler No. 1 is perforated in the Rincon Sands between 5,722 and 5,773 feet. On initial test, the well produced at a rate of 2,258 MCFD, 25 BCPD and no water.

Reveille requests 160 acre density units. Drainage calculations demonstrate the need for the larger density rules. Decline curve analysis estimated EUR of 2.8 BCF,

Reveille estimates that the Butler No. 1 will ultimately drain 187 acres. This is based on an estimated recovery factor of 88% , 25% porosity, 33% water saturation and net pay of 10 feet.

The Rincon is a multi-pay sandstone sequence located in the Upper Vicksburg formation. The area is highly faulted and the well is producing from a single fault block. Reveille requests 467'-1,200' well spacing and 5,000 foot diagonal for the Daskam, South (Rincon) Field as leases in the area are long and narrow. The Butler lease is approximately 29,000 feet long and 1,500 feet wide.

Reveille requests that a two factor allocation formula be adopted for the field because the correlative interval includes multiple, faulted accumulations of hydrocarbons. Reveille proposed 75% acreage and 25% deliverability to meet statutory requirements.

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 Daskam, South (Rincon) Field was discovered in August 2007 upon completion of the Butler No. 1 by Greehey & Company. This well remains the only well in the field.
1. The interval from 5,710 feet to 5,876 feet as shown on the log of the Butler No. 1 should be designated as the Daskam, South (Rincon) Field. This interval includes the entire productive Rincon sands.
4. The Butler No. 1 can reasonably be expected to drain 160 acres.
 - a. The Butler No. 1 produces from the Rincon sands within a faulted block.
 - b. The Butler No. 1 is estimated to ultimately recover 2.8 BCF of gas based on decline curve analysis.
 - c. Drainage calculations determined that the well will drain 187 acres based on an estimated recovery factor of 88%, 25% porosity, 33% water saturation and net pay of 10 feet.
5. Spacing a minimum of 467 feet from lease lines and 1,200 feet between wells will allow flexible location of wells on the long and narrow leases in the area.
6. Allocation based on 75% acreage and 25% deliverability is a reasonable

method of allocation which will protect the correlative rights of mineral owners in the field.

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. Adoption of the proposed field rules for the Daskam, South (Rincon) Field on a temporary basis is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends adoption of temporary field rules for the Daskam, South (Rincon) Field as set out in the attached Final Order, subject to review in 18 months.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner