

THE APPLICATION OF O'RYAN OIL AND GAS TO AMEND FIELD RULES 2 AND 3 FOR THE BIG R (SMACKOVER) FIELD, NAVARRO COUNTY, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Hearing Date: July 22, 2008

Appearances:

Representing:

Joe T. Sanders
Kerry A. Pollard

O'Ryan Oil and Gas

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Big R (Smackover) Field were adopted in Oil and Gas Docket No. 5-93,173, effective July 10, 1989, as amended. The rules are summarized as follows:

1. A correlative interval from 9,280 feet to 9,400 feet as shown on the log of the Sloan "D" Lease, Well No. 1;
2. 933'-1,867' well spacing;
3. 160 acre proration units;
4. Allocation based on 100% acreage.

O'Ryan Oil and Gas requests to amend Field Rules 2 and 3 for the Big R (Smackover) Field as follows:

2. 467'-933' well spacing;
3. 160 acre proration units with optional 40 acre density.

The application was unopposed and the examiner recommends that the field rules for the Big R (Smackover) Field be amended as requested by O'Ryan.

DISCUSSION OF EVIDENCE

The Big R (Smackover) Field was discovered in April 1989 by the completion of the Reynolds Drilling Company, Inc. - Sloan "D" Lease, Well No. 1, through perforations from

9,284 feet to 9,346 feet. The well potentialized for 530 BOPD, 459 MCFGPD and 3 BWPD. Cumulative production from the field through April 2008 is 573.8 MBO and 315.4 MMCFG. In June 2008, O’Ryan completed the Sloan “D” Lease Well No. 2 through perforations from 9,320 feet to 9,372 feet. The well potentialized for 475 BOPD, 1,585 MCFGPD and 0 BWPD. The field has a top allowable of 435 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel. O’Ryan is the only operator in the field.

The Big R (Smackover) Field produces from the Smackover formation at an average depth of approximately 9,300 feet. The Smackover formation is highly faulted and consists of dolomitized limestone that has a uniform average matrix porosity of 15%. The average water saturation is 27% and the average net pay thickness is 44.6 feet. A strong water drive is the primary drive mechanism for the reservoir and O’Ryan estimated a recovery factor of 70%. Using an estimated ultimate recovery of 700 MBO, O’Ryan calculated a drainage area of only 44.9 acres.

Based on the calculated drainage area, O’Ryan requests 467’-933’ well spacing and 160 acre density with optional 40 acre units, to allow for future infill development. The optional 40 acre density will allow wells to be placed at optimum structural locations within the Smackover formation to recover any attic oil that is currently trapped up-dip from the existing producing wells.

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 Big R (Smackover) Field was discovered in April 1989 by the completion of the Reynolds Drilling Company, Inc. - Sloan “D” Lease Well No. 1 through perforations from 9,284 feet to 9,346 feet.
3. Cumulative production from the field through April 2008 is 573.8 MBO and 315.4 MMCFG.
4. The Big R (Smackover) Field produces from the Smackover formation at an average depth of approximately 9,300 feet.
5. Using an estimated ultimate recovery of 700 MBO, O’Ryan calculated a drainage area of only 44.9 acres.
6. Based on the calculated drainage area, O’Ryan requests 467’-933’ well spacing and 160 acre density with optional 40 acre units, to allow for future infill development.
7. The optional 40 acre density will allow wells to be placed at optimum structural locations within the Smackover formation to recover any attic oil

that is currently trapped up-dip from the existing producing wells.

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 Big R (Smackover) Field is necessary to prevent waste, protect correlative rights, and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that Field Rules 2 and 3 for the Big R (Smackover) Field be amended to provide for 467'-933' well spacing and 160 acre units with optional 40 acre density.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner