

THE APPLICATION OF 3-T EXPLORATION INC. TO CONSIDER TEMPORARY FIELD RULES FOR THE THREE T HARRIS CREEK (PALUXY) FIELD, SMITH COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on September 2, 2010

Appearances:

Representing:

Rick Johnston

3-T Exploration, Inc.

Kerry Pollard

Roosth Production Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

3-T Exploration, Inc. requests that temporary field rules be adopted for the Three T Harris Creek (Paluxy) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 6,580 feet to 6,720 feet as shown on the Schlumberger Platform Express Micro-log of the North Unit Well No. 1;
2. 467' - 660' well spacing;
3. 80 acre oil units, maximum diagonal of 3,250', 40 acre optional units, maximum diagonal of 2,100';
4. Allocation based on 100% acreage.

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

DISCUSSION OF EVIDENCE

The Three T Harris Creek (Paluxy) Field was discovered in April 2010 upon completion of the North Unit Well No. 1 by 3-T Exploration, Inc. On initial test, the well pumped at a rate of 66 BOPD, 70 MCFD and no water. There are no other wells completed in the field.

The North Unit Well No. 1 is perforated in a Paluxy Sand stringer between 6,635 feet and 6,642 feet. 3-T Exploration requests that the field be designated as the correlative interval from 6,580 feet to 6,720 feet as shown on the Schlumberger Platform Express

Micro-log of the North Unit Well No. 1. This interval includes the majority of the Paluxy Sand which includes numerous individual sands which may be productive in future wells.

The North Unit Well No. 1 has produced 2,108 BO through August 1, 2010. Due to the short production history, 3-T Exploration could not accurately predict the well's ultimate recovery or its drainage area. Other Paluxy oil fields found in District 6 have oil base units between 10 to 80 acres. The nearest Paluxy oil field, the Lane Chapel (Paluxy A Sand) Field has 80 acre units with optional 40 acre units and the Mary Blevins (Paluxy B) Field has 80 acre units with optional 20 acre units. 3-T Exploration requests 80 acre units with optional 40 acres similar to the Lane Chapel (Paluxy A Sand) Field on a temporary basis until more production data is collected to better determine drainage area calculation.

3-T Exploration requests 467'-660' well spacing, which will allow additional flexibility in locating optimal drilling locations based on small amplitude anomalies identified using 3D seismic targets. 3-T Exploration also requests that allocation be based on 100% acreage.

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 Three T Harris Creek (Paluxy) Field was discovered in April 2010 upon completion of the North Unit Well No. 1 by 3-T Exploration, Inc. There are no other wells completed in the field.
3. The entire correlative interval between 6,580 feet to 6,720 feet as shown on the Schlumberger Platform Express Micro-log of the North Unit Well No. 1 should be designated as the Three T Harris Creek (Paluxy) Field.
4. A density rule providing for 80 acre units with optional 40 acre units is currently appropriate for the field.
 - a. Due to the short production history, 3-T Exploration could not accurately predict the North Unit Well No. 1's ultimate recovery or its drainage area.
 - b. Other Paluxy oil fields found in District 6 have oil base units between 10 to 80 acres.
 - c. The nearest Paluxy oil field, the Lane Chapel (Paluxy A Sand) Field has 80 acre units with optional 40 acre units and the Mary Blevins (Paluxy B) Field has 80 acre units with optional 20 acre units.

5. Well spacing a minimum of 467 feet from lease lines and 660 feet between wells will allow additional flexibility in locating optimal drilling locations based on small amplitude anomalies identified using 3D seismic targets.
6. Allocation based on 100% acreage 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 Three T Harris Creek (Paluxy) 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 that the Commission adopt the field rules proposed by 3-T Exploration, Inc. for the Three T Harris Creek (Paluxy) Field on a temporary basis, subject to review in 18 months.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner