

THE APPLICATION OF PAINT ROCK OPERATING, L.L.C. TO ADOPT FIELD RULES FOR THE MILLERSVIEW, W. (TANNEHILL) FIELD, CONCHO COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E., Technical Examiner

Hearing Date: August 13, 2007

Appearances:

Earl Burns
Dennis Buckingham
Jordan Buckingham

Representing:

Paint Rock Operating, L.L.C.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules (Statewide Rules) for the Millersview, W. (Tannehill) Field are summarized as follows:

1. 467'-1,200' well spacing;
2. 40 acre oil units with 20 acre tolerance;
3. Allocation based on 100% per well.

Paint Rock Operating, L.L.C. requests that field rules be adopted as follows :

1. Designation of the field as the correlative interval from 1,268 feet to 1,316 feet as shown on the log of the Vera "A" No. 3;
2. 330'-660' well spacing;
3. 20 acre oil units with 10 acre tolerance;
4. Allocation based on 100% acreage.

During the hearing, Paint Rock agreed to designate an interval for the field. This application was unprotected and the examiner recommends that the field rules for the Millersview, W. (Tannehill) Field be amended as requested.

DISCUSSION OF EVIDENCE

The Millersview, W. (Tannehill) Field was discovered in 2002 at a depth of approximately 1,286 feet. Cumulative production from the field is approximately 14,794 BO. As of August 2007, there are 4 active oil wells in the field which in total produce about 60 BOPD, 20 MCFD and 30 BWPD. There is one other operator in the field.

The first two wells completed in the field were small producers (currently producing 1.0 - 1.5 BOPD each) as they are believed to be completed at the edge of the reservoir. The last two wells completed by Paint Rock were completed near the center of the reservoir and were fracture stimulated. The wells produced 25 and 41 BOPD each. The drainage radius calculations demonstrate the need for smaller drilling units. The Vera A No. 1 well produces approximately 25 BOPD and 8 MCFD. Based on an estimated recovery factor of 20% , Paint Rock estimates that the No. 1 will ultimately recover 50,000 BO. This well is expected to drain about 20 acres.

The Millersview, W. (Tannehill) Field is a narrow (approximately 1,800 feet wide) channel sand reservoir. Paint Rock requests 330'-660' well spacing for the Millersview, W. (Tannehill) Field so that it can place wells in optimum locations within the narrow channel sand reservoir.

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. Field rules for the Millersview, W. (Tannehill) Field provide for 467'-1,200' well spacing, 40 acre oil units and allocation based on 100% per well.
3. The Millersview, W. (Tannehill) Field was discovered in 2002 and cumulative production from the field is approximately 14,794 BO.
4. Current production from the 4 active oil wells in the field is approximately 60 BOPD, 20 MCFD and 30 BWPD.
5. The Millersview, W. (Tannehill) Field produces from the Tannehill sand, a narrow channel sand deposit.
6. Drainage radius calculations for the Vera "A" No. 1 well show the well will drain only 20 acres.
7. Development of the field on 20 acre density will allow the placement of flexible well locations within the narrow channel sand reservoir to maximize recovery from the field.
8. The proposed 330'-660' well spacing will accommodate development on 20

acres.

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. Adopting field rules for the Millersview, W. (Tannehill) Field is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that field rules for the Millersview, W. (Tannehill) Field be adopted to provide for 20 acre density and 330'-660' well spacing.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner