

THE APPLICATION OF PAINT ROCK OPERATING, L.L.C. TO ADOPT FIELD RULES FOR THE DANNY MAE (LOWER CISCO "A") FIELD, MENARD COUNTY, TEXAS

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

Hearing Date: October 19, 2010

Appearances:

Earl Burns
Dennis Buckingham

Representing:

Paint Rock Operating, L.L.C.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules (Statewide Rules) for the Danny Mae (Lower Cisco "A") 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 2,376 feet to 2,450 feet as shown on the log of the Russell No. 9;
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 unopposed and the examiner recommends that the field rules for the Danny Mae (Lower Cisco "A") Field be amended as requested.

DISCUSSION OF EVIDENCE

The Danny Mae (Lower Cisco "A") Field was discovered in July 2010 at a depth of approximately 2,384 feet. Cumulative production from the field is approximately 6,734 BO. As of October 2010, there are 2 completed oil wells in the field which in total produce about 47 BOPD, and a small quantity of gas used primarily for lease use. There are no other operators in the field.

The first two wells, the Russell No. 9 and No. 11 completed by Paint Rock were completed near the center of the reservoir and were not stimulated. The wells produced 108 and 85 BOPD each with an average of 203 scf/bbl GOR and no water. The drainage radius calculations demonstrate the need for smaller drilling units. The Russell No. 9 well produces approximately 50 BOPD. Based on an estimated recovery factor of 20%, porosity of 23%, net pay thickness of 12 feet and a water saturation of 17%, Paint Rock estimates that the No. 9 will ultimately recover 62,910 BO. This well is expected to drain about 19.8 acres.

The Danny Mae (Lower Cisco "A") Field is a narrow (approximately 2 ½ by ¼ mile wide) oil accumulation within the Cisco "A" sand reservoir. Paint Rock requests 330'-660' well spacing for the Danny Mae (Lower Cisco "A") Field so that it can place wells in optimum locations within the narrow oil accumulation.

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 Danny Mae (Lower Cisco "A") Field provide for 467'-1,200' well spacing, 40 acre oil units and allocation based on 100% per well.
3. The Danny Mae (Lower Cisco "A") Field was discovered in July 2010 and cumulative production from the field is approximately 6,734 BO.
4. Current production from the 2 completed oil wells in the field is approximately 47 BOPD, and a small quantity of gas .
5. The Danny Mae (Lower Cisco "A") Field produces from the Cisco "A" sand, a narrow marine sand deposit.
6. Drainage radius calculations for the Russell No. 9 well show the well will drain only 19.8 acres.
7. Development of the field on 20 acre density will allow the placement of flexible well locations within the narrow 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 Danny Mae (Lower Cisco "A") 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 Danny Mae (Lower Cisco "A") Field be adopted to provide for 20 acre density and 330'-660' well spacing.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner