

THE APPLICATION OF PRIMEXX OPERATING CORP. TO AMEND FIELD RULES FOR THE CLAYTON RANCH, N. (SPRABERRY) FIELD, BORDEN COUNTY, TEXAS

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

Hearing Date: October 27, 2011

Appearances:

Representing:

Dale E. Miller

Primexx Operating Corp.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unopposed application of Primexx Operating Corp. to amend the field rules as adopted in Oil and Gas Docket No. 8A-89,603, issued effective January 26, 1987, for the Clayton Ranch, N. (Spraberry) Field that currently provide for the following:

1. 660'-1,320' well spacing;
2. 80 acre oil units with maximum diagonal of 3,250';
3. Allocation based on 100% acreage.

Primexx Operating Corp. requests that field rules be adopted as follows :

1. Designation of the field as the correlative interval from 5,654 feet to 5,744 feet as shown on the log of the Amoco Production Company's, Clayton Johnson "D" No. 1;
2. 467'-933' well spacing;
3. 80 acre oil units,, 40 acre optional units, No Plats;
4. Allocation based on 100% acreage.

This application was unopposed and the examiner recommends that the field rules for the Clayton Ranch, N. (Spraberry) Field be amended as requested.

DISCUSSION OF EVIDENCE

The Clayton Ranch, N. (Spraberry) Field was discovered in 1985 at a depth of approximately 5,738 feet. Cumulative production from the field is approximately 5.8 MMBO. As of October 2011, there are a total of 41 wells in the field, one water supply well, 9 shut-in wells, 9 injection wells and 22 producing wells. There are three operators in the field, Primexx Operating, Estancia Oil & Gas and Raw Oil & Gas.

Primexx Operating recently completed a well in the field, the Martin, Nan "A" No. 1 (April 4, 2011) that had an initial potential of 331 BOPD. The well is located near existing producing wells. The high initial production indicates the reservoir is heterogeneous and the existing wells are not draining 80 acres. The drainage radius calculations demonstrate the need for smaller drilling units. Primexx provided drainage calculations for all wells in the field. The estimated drainage area for each well ranged from 1 to 74 acres. These calculations are based on a porosity of 20%, water saturation of 45%, net pay thickness of 22 feet and a recovery factor of 40%. The estimated ultimate recovery for the wells in the field range from 1,226 to 352,150 BO. The Clayton Ranch, N. (Spraberry) Field was unitized in 1995 for secondary recovery, Primexx will drill additional wells to reestablish and expand the waterflood and recover existing reserves not being drained.

Numerous other Spraberry fields in the area have similar 80/40 acre density and 467'/933' spacing as the proposed Clayton Ranch, N. (Spraberry) Field rules.

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 Clayton Ranch, N. (Spraberry) Field provide for 660'-1,320' well spacing, 80 acre oil units and allocation based on 100% per well.
3. The Clayton Ranch, N. (Spraberry) Field was discovered in 1985 and cumulative production from the field is approximately 5.8 MMBO.
4. The Clayton Ranch, N. (Spraberry) Field was unitized in 1995 for secondary recovery.
5. A density rule providing for 80/optional 40 acre units is appropriate for the field.
 - a. The estimated drainage area for each well in the field ranged from 1 to 74 acres.
 - b. The estimated ultimate recovery for the wells in the field range from 1,226 to 352,150 BO.

- c. The calculations are based on a porosity of 20%, water saturation of 45%, net pay thickness of 22 feet and a recovery factor of 40%.
6. High initial potential from recently drill wells near existing producing wells indicate the reservoir is heterogenous and is not draining 80 acres.
7. The proposed 467'-933' well spacing will accommodate development on 40 acres and allow flexible placement of wells in this heterogenous field.
8. Numerous other Spraberry fields in the area have similar 80/40 acre density and 467'/933' spacing.

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 Clayton Ranch, N. (Spraberry) 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 Clayton Ranch, N. (Spraberry) Field be adopted to provide for 80 acre units with optional 40 acre density and 467'-933' well spacing.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner