OIL AND GAS DOCKET NO. 08-0272545

THE APPLICATION OF V-F PETROLEUM INC. TO CONSIDER TEMPORARY FIELD RULES FOR THE BOOTLEG CANYON (ELLENBURGER) FIELD, PECOS COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on October 24, 2011

Appearances:	**Representing:**
John Soule	V-F Petroleum, Inc.
Rick Johnston	

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

V-F Petroleum, Inc. requests that temporary field rules be adopted for the Bootleg Canyon (Ellenburger) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 6,610 feet to 6,925 feet as shown on the Computer Processed Log of the University 6 Well No. 1;

2. 467' - 933' well spacing;

3. 160 acre oil units, maximum diagonal of 4,500',

4. Allocation based on 50% acreage and 50% well potential.

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

DISCUSSION OF EVIDENCE

The Bootleg Canyon (Ellenburger) Field was discovered in June 2011 upon completion of the University 6 Well No. 1 by V-F Petroleum, Inc. On initial test, the well pumped at a rate of 252 BOPD, 300 MCFD and no water. There are no other wells completed in the field.

The University 6 Well No. 1 is perforated in the lower portion of the Ellenburger Dolomite between 6,858 feet and 6,918 feet. V-F Petroleum requests that the field be designated as the correlative interval from 6,610 feet to 6,925 feet as shown on the Computer Processed Log of the University 6 Well No. 1. This interval includes the entire

Ellenburger Dolomite which may include other individual porosity zones which may be productive in future wells.

The University 6 Well No. 1 has produced over 4,234 BO through October 5, 2011. Due to the short production history, V-F Petroleum could not accurately predict the well's ultimate recovery or its drainage area. The well is currently being produced on a 5/64" choke at a rate of 50 BOPD. Bottom hole pressure (BHP)data suggest the well is being assisted by a water drive. From mid May thru mid July the BHP has only declined from 2,863.0 psia to 2,860.1 psia. V-F Petroleum does not want to produce the well too rapidly as it fears rapid production could cause water conning. V-F Petroleum believes with a water drive the well will drain up 160 acres. Once sufficient production data gathered, V-F Petroleum may add optional 80 acre units. Other Ellenburger oil fields found in District 8 have oil base units of 160 acres. The nearest Ellenburger oil field, the Palomino (Ellenburger) Field has 160 acre units with optional 80 acre units and the Indian Mesa (Ellenburger) Field has 160 acre units with optional 80 acre units. V-F Petroleum requests 160 acre units similar to the Palomino (Ellenburger) Field on a temporary basis until more production data is collected to better determine drainage area calculation.

V-F Petroleum requests 467'-933' well spacing, which will allow additional flexibility in locating optimal drilling locations between two faults identified with seismic data. V-F Petroleum also requests that allocation be based on 50% acreage and 50% potential as it may request smaller drilling units in the future and would not want to penalized the new wells that may produce at higher rates due to a water drive.

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 Bootleg Canyon (Ellenburger) Field was discovered in June 2011 upon completion of the University 6 Well No. 1 by V-F Petroleum, Inc. There are no other wells completed in the field.

3. The entire correlative interval between 6,610 feet to 6,925 feet as shown on the Computer Processed Log of the University 6 Well No. 1 should be designated as the Bootleg Canyon (Ellenburger) Field.

4. A density rule providing for 160 acre units is currently appropriate for the field.

    a. Due to the short production history, V-F Petroleum could not accurately predict the University 6 Well No. 1's ultimate recovery or its drainage area.

b. Bottom hole pressure data indicates the well recovery will be assisted by a water drive. The water drive will increase drainage area.

c. Other Ellenburger oil fields found in District 8 have oil base units between 160 to 80 acres.

d. The nearest Ellenburger oil field, the Palomino (Ellenburger) Field has 160 acre units with optional 80 acre units and the Indian Mesa (Ellenburger) Field has 160 acre units with optional 80 acre units.

5. Well spacing a minimum of 467 feet from lease lines and 933 feet between wells will allow additional flexibility in locating optimal drilling locations between existing mapped fault lines.

6. Allocation based on 50% acreage and 50% well potential 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 Bootleg Canyon (Ellenburger) 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 V-F Petroleum, Inc. for the Bootleg Canyon (Ellenburger) Field on a temporary basis, subject to review in 18 months.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner