

**THE APPLICATION OF PRIMEXX OPERATING CORPORATION TO CONSIDER
TEMPORARY FIELD RULES FOR THE PEG'S DRAW (MISSISSIPPIAN) FIELD, BORDEN
COUNTY, TEXAS**

Heard by: Andres J. Trevino, P.E. on April 9, 2009

Appearances:

Dale Miller

Representing:

Primexx Operating Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Primexx Operating Corporation requests that temporary field rules be adopted for the Peg's Draw (Mississippian) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 8,550 feet to 8,830 feet as shown on the log of the Peg's Draw "A" Well No. 2;
2. 467' - 1,200' well spacing;
3. 80 acre oil units with 40 acre tolerance and a maximum diagonal of 3,250 feet;
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 Peg's Draw (Mississippian) Field was discovered in May 2006 upon completion of the Peg's Draw "A" Well No. 2 by Primexx Operating, LP. On initial test, the well flowed at a rate of 42 BOPD, 50 MCFD and no water. Two other wells have been completed in the field.

The Peg's Draw "A" Well No. 2 is perforated in the Mississippian Limestone between 8,554 feet and 8,570 feet. Primexx requests that the field be designated as the correlative interval from 8,550 feet to 8,830 feet as shown on the log of the Peg's Draw "A" Well No. 2. This interval includes the entire Mississippian Limestone.

The Peg's Draw "A" Well No. 2 and No. 3 have produced 53,697 BO and the CR "G" Tract 2 Well No. 1402 has produced 17,506 BO through March 1, 2009. Assuming a 20% decline, the CR "G" Tract 2 Well No. 1402 will ultimately recover a total of 115,322 BO. Average porosity of the reservoir is 6.4%, the average water saturation is 44% and the average net effective oil pay thickness is 57 feet. With a recovery factor of 13%, recoverable reserves are estimated to be 187.6 STB/ac-ft. Volumetric calculations indicated that the CR "G" Tract 2 Well No. 1402 will drain approximately 83 acres.

Primexx requests 467'-1,200' well spacing, which will allow additional flexibility in locating optimal drilling locations based on seismic targets. Primexx 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 Peg's Draw (Mississippian) Field was discovered in July 2006 upon completion of the Peg's Draw "A" Well No. 2 by Primexx Operating Corporation. Two other wells have been completed in the field.
3. The entire correlative interval between 8,550 feet to 8,830 feet as shown on the Halliburton High Resolution Induction log of the Peg's Draw "A" Well No. 2 should be designated as the Peg's Draw (Mississippian) Field.
4. With an estimated ultimate recovery of 115,322 BO for the CR "G" Tract 2 Well No. 1402, the well is expected to drain approximately 83 acres.
5. Well spacing a minimum of 467 feet from lease lines and 1,200 feet between wells will allow additional flexibility in locating optimal drilling locations based on 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 Peg's Draw (Mississippian) 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 Primexx Operating Corporation for the Peg's Draw (Mississippian) Field on a temporary basis, subject to review in 18 months.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner