



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 02-0268737

THE APPLICATION OF HILCORP ENERGY COMPANY TO ADOPT FIELD RULES FOR
THE TOM O' CONNER (4650) FIELD, REFUGIO COUNTY, TEXAS

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

Hearing Date: April 19, 2011

Appearances:

Representing:

Dale E. Miller

Hilcorp Energy Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules (Statewide Rules) for the Tom O' Conner (4650) 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.

Hilcorp Energy Company requests that field rules be adopted as follows :

1. Designation of the field as the correlative interval from 4,643 feet to 4,698 feet as shown on the log of the Union Producing Company's, M.F. Lambert No. 101;
2. 467'-660' well spacing;

3. 80 acre oil units, maximum diagonal of 3,250', 40 acre tolerance;
4. Allocation based on 100% acreage.

This application was unopposed and the examiner recommends that the field rules for the Tom O' Conner (4650) Field be adopted as requested.

DISCUSSION OF EVIDENCE

The Tom O' Conner (4650) Field was discovered on February 23, 2006 with the completion of the M.F. Lambert, Well No. 104. The well is perforated between 4,660 feet to 4,668 feet. The discovery well potentialized at 7 BOPD, 155 MCFG and 677 BWPD. Hilcorp Energy drilled two additional wells, the M.F. Lambert, Well Nos. 101 & 100. The wells had initial potentials of 93 BOPD and 180 BOPD respectively. Cumulative production from the field is approximately 52,626 BO. There are no other operators in the field.

The drainage radius calculation demonstrate the need for larger drilling units. Hilcorp Energy provided drainage calculations for the M.F. Lambert, Well Nos. 101 & 100. The estimated drainage area for the wells is 71 and 95 acres. These calculations are based on a porosity of 29%, water saturation of 45%, net pay thickness of 10 feet and a recovery factor of 30%. The estimated ultimate recovery for the wells are 215,945 BO and 288,767 BO. The well has a high recovery factor due to the reservoir having a substantial water drive.

The well is completed in a thin oil rim on top of a thick water zone. The 467'/660' spacing will allow Hilcorp Energy to drill wells in optimum structural locations to maximize recovery from a higher structural position and thicker oil rim. Numerous other oil fields in the area have similar 80 acre density as the proposed Tom O' Conner (4650) Field rules.

The M.F. Lambert lease is estimated to be overproduced by 25,029 BO as of April 2011. Hilcorp Energy requests that this overage be cancelled.

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. Statewide field rules for the Tom O' Conner (4650) Field provide for 467'-1,200' well spacing, 40 acre oil units and allocation based on 100% per well.
3. The Tom O' Conner (4650) Field was discovered in February 2006 and cumulative production from the field is approximately 52,626 BO.

4. The wells produce from a thin oil rim over a thick water drive aquifer.
5. A density rule providing for 80 acre units is appropriate for the field. The calculated drainage area for the Hilcorp Energy 's, M.F. Lambert, Well No. 101 & 100, is about 71 acres and 95 acres based on 215,945 BO and 288,767 BO estimated ultimate recovery.
7. The proposed 467'-660' well spacing will allow Hilcorp Energy to drill wells in optimum structural locations to maximize recovery from a higher structural position and thicker oil rim. .
8. Numerous other oil fields in the area have similar 80 acre density.
9. The M.F. Lambert lease is estimated to be overproduced by 25,029 BO as of April 2011. Cancellation of this overage will not harm correlative rights.

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 Tom O' Conner (4650) 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 Tom O' Conner (4650) Field be adopted to provide for 80 acre units and 467'-660' well spacing.

Respectfully submitted,



Andres J. Trevino, P.E.
Technical Examiner