



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0300939

**THE APPLICATION OF SED ENERGY, INC. TO ADOPT FIELD RULES FOR THE
PARMER (PALUXY) FIELD, VAL VERDE COUNTY, TEXAS**

HEARD BY: Richard Eyster, P.G. – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: August 15, 2016

CONFERENCE DATE: November 15, 2016

APPEARANCES:

Patrick Forbis
Nguyen Ngoc

REPRESENTING:

SED Energy Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Parmer (Paluxy) Field currently operates under Statewide Field Rules. SED Energy Inc (SED) requests that Field Rules be adopted, as shown below:

1. The entire correlative interval from 392 feet to 596 feet as shown on the log of the SED Energy Inc, Jenkins J Lease, Well No. 1 (API No. 42-465-30860); Section 26, CCSD & RGNG RR Co/Kinsey, J.D. Survey, Abstract 2213 Val Verde County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Parmer (Paluxy) Field.
2. 150'-0' well spacing.
3. Two acre oil units with the filing of Form P-16 without proration unit plats. However, an operator may file individual proration unit plats if the so desire. There is no maximum diagonal limitation in this field.
4. Allocation will be based on 100% acreage. The 1965 Yardstick maximum daily oil allowable shall apply for wells in the subject field.

The application is unopposed and the examiners recommend that Field Rules be adopted for the Parmer (Paluxy) Field, as requested by SED.

DISCUSSION OF EVIDENCE

The Parmer (Paluxy) Field was discovered in March 1968 at an average depth of 473 feet. There are 3 wells carried on the oil proration schedule. The field currently operates under Statewide Field Rules.

SED requests that the field be defined as the entire correlative interval from 392 feet to 596 feet as shown on the log of the SED Energy Inc, Jenkins J Lease, Well No. 1 (API No. 42-465-30860); Section 26, CCSD & RGNG RR Co/Kinsey, J.D. Survey, Abstract 2213 Val Verde County, Texas. The field shall be designated as a single reservoir for proration purposes. The correlative interval includes the entire Paluxy formation, which is located between the base of the Edwards Limestone formation and the top of the Glen Rose formation.

SED is redeveloping the Parmer (Paluxy) Field by drilling infill wells and SED plans to start an initial steam flood operation to utilize the three wells with five new wells. Depending on the success of the initial phase SED may expand the steam flood to a larger area, similar to other thermal assisted flood operations in Val Verde County.

SED is now requesting field rules that will promote the efficient and effective development of the remaining hydrocarbons. The field is comprised of sands containing a high viscosity crude oil with an average net pay of approximately 10-11 feet. The primary drive mechanism is gravity drainage. SED believes that a smaller density is necessary to increase the recovery from the field and to allow the placement of infill wells for a future in-situ combustion enhanced recovery project. SED requests 150'-0' well spacing and 2 acre oil units and argues that the proposed no between well spacing is necessary to allow the drilling of infill wells, which may have to be placed very near existing wells in some cases. The no between well spacing will also provide the necessary flexibility required to utilize the effects of gravity drainage in the reservoir and the initial steam flood operation.

FINDINGS OF FACT

1. Notice of this hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing and no protests were received.
2. The Parmer (Paluxy) Field was discovered in March 1968 at an average depth of 473 feet.
 - a. There are three wells carried on the oil proration schedule and SED is the only operator in the field.

- b. The field currently operates under Statewide Field Rules.
3. The entire correlative interval from 392 feet to 596 feet as shown on the log of the SED Energy Inc, Jenkins J Lease, Well No. 1 (API No. 42-465-30860); Section 26, CCSD & RGNG RR Co/Kinsey, J.D. Survey, Abstract 2213 Val Verde County, Texas shall be designated as a single reservoir for proration purposes and be designated as the Parmer (Paluxy) Field Val Verde County, Texas. The correlative interval includes the entire Paluxy formation, which is located between the base of the Edwards Limestone formation and the top of the Glen Rose formation.
4. Field Rules for the Parmer (Paluxy) Field that provide for 150'-0' well spacing and 2 acre oil units are appropriate for the field.
5. SED Energy Inc. is redeveloping the Parmer (Paluxy) Field by drilling infill wells and requests Field Rules that will promote the efficient and effective development of the remaining hydrocarbons.
6. The field is comprised of sands containing a high viscosity crude oil with an average net pay of approximately 11 feet.
7. A smaller density is necessary to increase the primary recovery from the field and to allow the placement of infill wells for a future in-situ combustion enhanced recovery project.
8. The proposed no between well spacing is necessary to allow the drilling of infill wells, which may have to be placed very near existing wells in some cases.
9. The no between well spacing will also provide the necessary flexibility required to utilize the effects of gravity drainage in the reservoir
10. Allocation will be based on 100% acreage. The 1965 Yardstick maximum daily oil allowable shall apply for wells in the subject field.
11. The filing of Form P-16 to designate the number of acres to be assigned to each well for proration purposes with no proration unit plats will eliminate unnecessary paperwork.

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 Parmer (Paluxy) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission adopt Field Rules for the Parmer (Paluxy) Field, as requested by SED Energy Inc.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Ryan Lammert
Administrative Law Judge