

OIL AND GAS DOCKET NO. 03-0266126

APPLICATION OF SYNERGY OIL & GAS, L.P. TO CONSIDER A BLANKET EXCEPTION TO STATEWIDE RULE 10 FOR ALL CURRENT AND FUTURE WELLS IT OPERATES IN VARIOUS NONA MILLS FIELDS, HARDIN COUNTY, TEXAS

HEARD BY: Donna K. Chandler on July 29, 2010

APPEARANCES:

Dale Miller

REPRESENTING:

Synergy Oil & Gas, L.P.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

Synergy Oil & Gas, L.P. requests Rule 10 exceptions for all wells it operates in the following fields:

Nona Mills Field	65799 001
Nona Mills (-A-) Field	65799 100
Nona Mills (-B- Sand) Field	65799 200
Nona Mills (-C- Sand) Field	65799 230
Nona Mills (-E- Sand) Field	65799 275
Nona Mills (-F- Sand) Field	65799 300
Nona Mills (F-1 Yegua) Field	65799 325
Nona Mills (-F-2 Sand) Field	65799 400
Nona Mills (-G-) Field	65799 500
Nona Mills (-H-) Field	65799 600
Nona Mills (-I-) Field	65799 800

It is requested that the commingled wells be assigned to any of the fields, as all wells may not be commingled in all fields.

This application was unopposed and the examiner recommends approval of the requested Rule 10 authority.

DISCUSSION OF THE EVIDENCE

The subject eleven Nona Mills fields were discovered beginning in 1950, with the latest discovery in 1982. Most of the fields are associated fields. Synergy is the only operator in any of the fields. All but two of the fields operate under Statewide Rules.

There are currently 27 wells carried in the various fields, but the only active well is in the Nona Mills Field. All of the other wells on the schedule have 14(b)(2) exceptions. Almost all of the wells have had completions in more than one field. Some wells have had completions in 5 or 6 fields. Cumulative production from the fields is approximately 7.6 million BO and 96 BCF of gas.

Initially, Synergy plans to downhole commingle wells in the Nona Mills Field, which is the deepest zone, and the Nona Mills (-G-) Field. Estimated production from these two fields is estimated to be 10 BOPD and 100 MCFD. Production will be artificially lifted. Additional reservoirs will be opened in each wellbore over time as the pressure in the Nona Mills and the Nona Mills (-G-) Field are decreased. It is expected that production will be about 40 BOPD, 100 MCFD and 1,500 BWPD if all eleven reservoirs are completed in a wellbore. It is also expected that submersible pumps will be necessary to move the large volumes of water expected to be produced from some of the reservoirs.

Because the wells will be on artificial lift, no crossflow is expected to occur. The Nona Mills and Nona Mills (-G-) Fields have the highest pressures of 2,600-2,800 psi and will be commingled first. All of the reservoirs are Yegua age and produce similar fluids. If scaling becomes an issue, scaling inhibitors will be used as necessary.

Synergy estimates that incremental reserves as a result of commingling are 2,200 BO and 32 MMCF of gas per each additional reservoir that is commingled in a single well. This additional recovery is a result of a lower combined economic limit. Synergy plans recompletions in the existing wellbores as well as newly drilled wells.

It is requested that the commingled wells be assigned as requested by Synergy because all fields may not be commingled in all wells. The top allowable in the fields ranges from 101 BOPD to 133 BOPD. It is not expected that any commingle well will be capable of producing at the top allowable rate.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the subject fields.
2. The Nona Mills, Nona Mills (-A-), Nona Mills (-B- Sand), Nona Mills (-C- Sand), Nona Mills (-E- Sand), Nona Mills (-F- Sand), Nona Mills (F-1 Yegua), Nona Mills (-F-2 Sand), Nona Mills (-G-), Nona Mills (-H-), and Nona Mills (-I-Fields were discovered beginning in the 1950's. Synergy is the

only operator in the fields, with 27 wells on the proration schedules for the fields.

3. There is only one producing well currently in the 11 fields, the Nona Mills Field Unit No. 2002 in the Nona Mills Fields. The rest of the wells are shut-in.
4. Cumulative production from the fields is approximately 7.6 million BO and 96 BCF of gas.
5. All commingled wells will be on artificial lift and no crossflow is expected to occur.
6. The subject reservoirs are all Yegua age and reservoir fluids are very similar. Scaling inhibitors will be used if necessary.
7. Synergy estimates that incremental reserves as a result of commingling are 2,200 BO and 32 MMCF of gas per each additional reservoir that is commingled in each well.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested Rule 10 exceptions for all wells on leases operated by Synergy Oil & Gas, L.P. in the subject 11 Nona Mills Fields will prevent waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested Rule 10 exceptions for all wells on leases operated by Synergy Oil & Gas, L.P., and its successors, in the subject 11 Nona Mills Fields, as specified in the attached order.

Respectfully submitted,

Donna K. Chandler.
Technical Examiner