

February 26, 2007

OIL AND GAS DOCKET NO. 01-0250107

APPLICATION OF BLUESTONE PRODUCTION COMPANY FOR NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED ROCA RICA (TAYLOR/OLMOS) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: February 23, 2007

APPEARANCES:

REPRESENTING:

Dale E. Miller

Bluestone Production Company

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Bluestone Production Company for a new field designation and field rules for the proposed Roca Rica (Taylor/Olmos) Field which provide for:

1. The entire combined correlative interval from 9,770' to 12,012' MD as shown on the Dual Induction-SFL-Sonic log of the Sanderfer Oil & Gas, Inc., Nueces Lease Well No. 1 (API No. 42-311-32173), R.E. Halter Survey, A-611, McMullen County, Texas should be designated as the Roca Rica (Taylor/Olmos) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well.

It is also requested that any over production be canceled. The proposed field name was Piedra Creek (Taylor/Olmos) Field, but the Commission's computer system would not allow the proposed name. Subsequent to the hearing the applicant proposed the field designation of Roca Rica (Taylor/Olmos) Field. The examiner recommends approval of the application as amended.

DISCUSSION OF THE EVIDENCE

The proposed Roca Rica (Taylor/Olmos) Field was discovered in October 2006, by the re-completion of the Sanderfer Petroleum, Nueces Lease Well No. 1 which has not been produced since 1985 through perforations from 10,240' to 10,468' MD. Bluestone potential tested the Nueces Well No. 1 at 128 MCFD and 98 BWPD and the measured bottomhole pressure was 5,830 psig.

The proposed Roca Rica (Taylor/Olmos) Field is a new field designation as there are no other wells within 2.5 miles that are productive in the Taylor/Olmos Formation. The entire combined correlative interval from 9,770' to 12,012' MD as shown on the Dual Induction-SFL-Sonic log of the Sanderfer Oil & Gas, Inc., Nueces Lease Well No. 1 (API No. 42-311-32173), R.E. Halter Survey, A-611, McMullen County, Texas should be designated as the Roca Rica (Taylor/Olmos) Field.

Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement. Cancellation of overproduction will not harm correlative rights as this is the only well in the proposed field.

FINDINGS OF FACT

1. Notice of this hearing was sent to all affected persons in the subject area field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The proposed Roca Rica (Taylor/Olmos) Field was discovered in October 2006, by the re-completion of the Sanderfer Petroleum, Nueces Lease Well No. 1 which has not been produced since 1985 through perforations from 10,240' to 10,468' MD.
4. The proposed Roca Rica (Taylor/Olmos) Field is a new field designation as there are no other wells within 2.5 miles that are productive in the Taylor/Olmos Formation.
5. The entire combined correlative interval from 9,770' to 12,012' MD as shown on the Dual Induction-SFL-Sonic log of the Sanderfer Oil & Gas, Inc., Nueces Lease Well No. 1 (API No. 42-311-32173), R.E. Halter Survey, A-611, McMullen County, Texas should be designated as the Roca Rica (Taylor/Olmos) Field.
6. Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.
7. Cancellation of overproduction will not harm correlative rights as the subject well is the only well in the proposed reservoir.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this

matter.

3. Adoption of the proposed new field designation and field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed new field designation and field rules for the Roca Rica (Taylor/Olmos) Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel