



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

July 17, 2006

OIL AND GAS DOCKET NO. 7C-0247634

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APPLICATION OF HENRY PETROLEUM LP TO CONSIDER TEMPORARY FIELD RULES FOR THE BLUE DANUBE, EAST (PENN. DETRITAL) FIELD, UPTON COUNTY, TEXAS

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

**DATE OF HEARING:** July 17, 2006

**APPEARANCES:**

Greg Cloud

**REPRESENTING:**

Henry Petroleum LP

### EXAMINER'S REPORT AND RECOMMENDATION STATEMENT OF THE CASE

This is the unopposed application of Henry Petroleum for the Commission to consider temporary field rules for the Blue Danube, East (Penn. Detrital) Field that provide for:

1. The entire combined correlative interval from 9,950' to 10,660' subsurface depth as shown on the Computer Processed log of the Henry Petroleum, University Vincent Lease Well No. 401, Section 4, Blk 58, University Lands Survey, Upton County, Texas should be recognized and designated as the Blue Danube, East (Penn. Detrital) Field.
2. Minimum well spacing of 660'/1320' (lease line/between well),
3. 160 acre proration units with 10% tolerance and maximum diagonal of 4,500';
4. An allocation formula based on 95% acreage and 5% deliverability.

### DISCUSSION OF THE EVIDENCE

The Blue Danube, East (Penn. Detrital) Field was discovered in 1962 by completion of the Rutter & Wilbanks Bros., University 3 Lease Well No. 1 through a slotted casing at 10,126'.<sup>1</sup> Based on the Form-3 that was filed at that time, the well was classified as an oil well. The well produced

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<sup>1</sup> The well was originally drilled by Cities Service Prod. Corp. as the AR Lease Well No. 1 to a depth of 12,370'. Cities plugged the well in 1953. The well was re-entered by Rutter & Wilbanks Bros. in 1962.

a total of 1,630 BO from June 1962 through December 1963. The well was plugged in December 1963. The Henry Petroleum, University Vincent Lease Well No. 401 was completed December 30, 2005 through four sets of perforations from 9,984' to 10,240' subsurface depth. The well was classified as a gas well based on the results of the initial potential test with a highest flow rate of 841 MCFD, no condensate and 83 BWPD. The API gravity was 56.4° API.

It is proposed that the entire combined correlative interval from 9,950' to 10,660' subsurface depth as shown on the Computer Processes log of the Henry Petroleum, University Vincent Lease Well No. 401, Section 4, Blk 58, University Lands Survey, Upton County, Texas should be recognized and designated as the Blue Danube, East (Penn. Detrital) Field. Cumulative production from the subject well is 58,415 MCF and the current rate is 600 MCFD.

Proration unit density of 160 acres is necessary to provide for the efficient and effective depletion of the reservoir. Basic reservoir parameters are: average porosity is 6.7%, average water saturation is 26%, and the average net pay is 12 feet. The estimated recoverable reserves are 408 MC/Ac-Ft. (assuming 65% recovery factor). The theoretical production decline estimates an ultimate recovery of 810 MMCF. The calculated drainage area is 165 acres. Based on the limited reservoir and production data available, it is proposed that the rules be adopted as temporary subject to review in 18 months.

The proposed minimum well spacing, 660'/1320' (leaseline/between well) will provide flexibility in locating wells in the subject field area because of the topographic difficulties in the area.

Because the field interval is combining potentially 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% acreage and 5% deliverability satisfies this requirement.

#### FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Blue Danube, East (Penn. Detrital) Field was discovered in 1962 by completion of the Rutter & Wilbanks Bros., University 3 Lease Well No. 1 through a slotted casing at 10,126' and the well produced a total of 1,630 BO from June 1962 and plugged in December 1963.
  - a. The Henry Petroleum, University Vincent Lease Well No. 401 was completed December 30, 2005 through four sets of perforations from 9,984' to 10,240' subsurface depth and classified as a gas well.

4. The entire combined correlative interval from 9,950' to 10,660' subsurface depth as shown on the Computer Processed log of the Henry Petroleum, University Vincent Lease Well No. 401, Section 4, Blk 58, University Lands Survey, Upton County, Texas should be recognized and designated as the Blue Danube, East (Penn. Detrital) Field.
5. Proration unit density of 160 acres is necessary to provide for the efficient and effective depletion of the reservoir.
  - a. The University Vincent potential with a highest flow rate of 841 MCFD, no condensate and 83 BWPD.
  - b. Cumulative production from the subject well is 58,415 MCF and the current rate is 600 MCFD.
  - c. The estimated recoverable reserves are 408 MC/Ac-Ft. and an estimated ultimate recovery of 810 MMCF.
  - d. The calculated drainage area is 165 acres.
6. The proposed minimum well spacing, 660'/1320' (lease line/between well) will provide flexibility in locating wells in the subject field area because of the topographic features in the area.
7. The field interval is combining potentially 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% acreage and 5% deliverability satisfies this requirement.

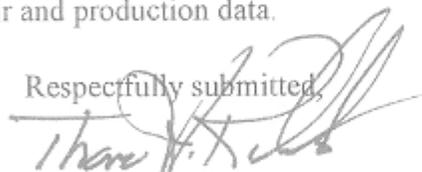
#### CONCLUSIONS OF LAW

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. Consideration of temporary field rules is a matter within the Commission jurisdiction.
4. Adoption of the proposed temporary 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 temporary field rules for the Blue Danube, East (Penn. Detrital) Field for a period of eighteen (18) months based on the limited reservoir and production data.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas H. Richter", written over a horizontal line.

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