



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 7C-0273693

THE APPLICATION OF MAGNET OIL LP TO CONSIDER TEMPORARY FIELD RULES
FOR THE MEADOW CREEK (CANYON) FIELD, COKE COUNTY, TEXAS

HEARD BY: Andres J. Trevino P.E., Technical Examiner
Terry Johnson, Hearings Examiner

DATE OF HEARING: April 25, 2012

APPEARANCES:

Cary McGregor
Don Rhodes

REPRESENTING:

LP Operating LLC
Magnet Oil, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Magnet Oil, LP requests that temporary field rules be adopted for the Meadow Creek (Canyon) Field. The proposed rules are summarized as follows:

1. The entire correlative interval from 5,100 feet to 5,440 feet as shown on the Dual Induction log of the Ketal Oil Producing Co. - Pentacost "B" Lease Well No. 1;
2. 330'-600' well spacing;
3. 40 acre units with optional 20 acre units, no plats;
4. Allocation based on 25% acreage and 75% per well.

This application was unopposed and the examiners recommend that the field rules for the Meadow Creek (Canyon) Field be adopted as requested.

DISCUSSION OF EVIDENCE

The Meadow Creek (Canyon) Field was discovered in 1975 at a depth of

approximately 5,239 feet. Cumulative production from the field is approximately 903,309 BO. The field had a peak production rate of 500 BOPD in 1980 and was plugged and abandoned in 2004. As of April 2012, there are 5 oil wells in the field which in total produce about 21 BOPD.

Magnet Oil is redeveloping the field by drilling new infill wells between existing plugged wells. Magnet Oil believes past wells which were drilled with current density rules did not adequately drain existing reserves. The Meadow Creek (Canyon) Field produces from the Canyon sand formation, identified as the entire correlative interval between 5,100 feet to 5,440 feet as shown on the Dual Induction log of the Ketal Oil Producing Co. - Pentacost "B" Lease Well No. 1. The Canyon sand is composed of multiple lenticular channel sands that vary from well to well. Past operators usually produced one sand per well. Magnet will produce any sand it finds productive within the designated interval in order to recover reserves that were left in place by past operators.

Drainage area calculations performed on 12 oil wells demonstrate the need for smaller units. Using reservoir parameters of 9.3% porosity, water saturation of 40%, a varying net pay thickness and the reported ultimate recovery from plugged wells, drainage area calculations show that oil wells will drain between 0.1 acres and 62 acres with an average drainage area of 27 acres, justifying the optional 20 acre density.

Magnet Oil requests 330'-600' well spacing for the Meadow Creek (Canyon) Field to accommodate drilling new wells between existing plugged wells to recover hydrocarbon reserves that may have been left behind in the lenticular channel sand bodies. Magnet Oil requests a two factor allocation based on 25% acreage and 75% per well as the Canyon sand interval contains multiple sands that may be productive.

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. Field rules for the Meadow Creek (Canyon) Field provide for 467'-1200' well spacing, 40 acre units and allocation based on 100% per well.
3. The Meadow Creek (Canyon) Field was discovered in 1975 and cumulative production from the field is approximately 903,309 BO.
4. The field had a peak production rate of 500 BOPD in 1980 and was plugged and abandoned in 2004. As of April 2012, there are 5 oil wells in the field which in total produce about 21 BOPD.
5. The Meadow Creek (Canyon) Field produces from the Canyon sand which

is composed of multiple lenticular channel sands that vary from well to well.

6. The Meadow Creek (Canyon) Field should be designated as the entire correlative interval between 5,100 feet to 5,440 feet as shown on the Dual Induction log of the Ketal Oil Producing Co. - Pentacost "B" Lease Well No. 1.
7. Wells in the field have drainage areas which vary significantly. Development with 40 acre density with optional 20 acre units is necessary to maximize recovery from the field.
 - a. Using reservoir parameters of 9.3% porosity, water saturation of 40%, a varying net pay thickness, drainage area calculations were performed for 12 oil wells that have been plugged.
 - b. Drainage calculations performed show oil wells will drain between 0.1 acres and 62 acres.
 - c. The average drainage area of the wells studied was 27 acres and the median was 28 acres.
8. The proposed 330'-600' will accommodate development on optional 20 acre units and placing new vertical in areas where undrained lenticular sand bodies are believed to exist.
9. Allocation based on 75% per well and 25% acreage is a reasonable method of allocation which will protect the correlative rights of mineral owners in the field.

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. Adoption of the proposed field rules for the Meadow Creek (Canyon) Field on a temporary basis is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend that the Commission adopt the field rules proposed by Magnet Oil LP for the Meadow Creek (Canyon) Field on a temporary basis, subject to review in 24 months.

Respectfully submitted,



Andres J. Trevino, P.E.
Technical Examiner



Terry Johnson
Hearings Examiner