



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0280874

THE APPLICATION OF RKI EXPLORATION & PRODUCTION LLC TO CONSOLIDATE VARIOUS FIELDS AND TO ADOPT FIELD RULES FOR THE PROPOSED RED BLUFF (CONSOLIDATED) FIELD, LOVING COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

DATE OF HEARING: May 1, 2013

APPEARANCES: REPRESENTING:

APPLICANT:

Barry Hagemann
Nguyen Ngoc

RKI Exploration & Production LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

RKI Exploration & Production LLC ("RKI") requests that various fields be consolidated into a new field to be known as the Red Bluff (Consolidated) Field (ID No. 75161 450). The fields proposed for consolidation are as follows:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Red Bluff (Cherry Canton)	75161 400
Red Bluff (Brushy Canyon)	75161 250
Red Bluff (Lower Brushy Canyon)	75161 600
Avalon (Bone Spring)	04491 500

RKI also requests that the following Field Rules be adopted for the consolidated field:

1. Designated interval from 4,250 feet to 7,350 feet as shown on the log of the RKI Exploration & Production LLC - CBR 6 Lease, Well No. 14 (API No. 42-301-31572);

2. 330'-660' well spacing;
3. 40 acre oil units with optional 20 acre density;
4. Allocation based on 95% acres and 5% per well with a top oil allowable based on the 1965 Yardstick Allowable of 121 barrels of oil per day.

The application was unopposed and the examiners recommend approval of the field consolidation and Field Rules for the Red Bluff (Consolidated) Field, as requested by RKI.

DISCUSSION OF THE EVIDENCE

The subject fields were discovered beginning in December 1983. There are eleven producing oil wells and three operators carried on the proration schedules. RKI operates seven of the wells in the fields. All of the subject fields operate under Statewide Rules. The fields are geographically intermingled and there are no other fields contained within the proposed correlative interval. Some of the wells have produced from several different fields. Cumulative production from the fields through April 2013 is 1.2 MMBO and 3.5 BCFG.

RKI proposes that the correlative interval from 4,250 feet to 7,350 feet as shown on the log of the RKI Exploration & Production LLC - CBR 6 Lease, Well No. 14 (API No. 42-301-31572), Section 6, Block 56 T1, T&P RR Co Survey, A-1126, Loving County, Texas, be considered a single field known as the Red Bluff (Consolidated) Field. The correlative interval includes the Cherry Canyon, Brushy Canyon and Bone Spring formations. The reservoir and fluid properties in all the fields are similar and the Commission has already approved exceptions to Statewide Rule 10 to allow downhole commingling in the various fields. RKI submitted a bottomhole pressure build-up test on one well that showed just over 100 psi of pressure differential between the Delaware sands and the Bone Spring formations. RKI opined, that based on the survey, they did not anticipate any crossflow between the commingled formations.

RKI is proposing similar spacing and density Field Rules that exist in the nearby Dimmitt (Delaware Cons) and Matthews (Canyon Cons.) Fields. RKI requests 330'-660' well spacing and 40 acre oil units with optional 20 acre density. RKI calculated drainage areas for 5 sample wells in the consolidated fields. The drainage areas range from 19 acres up to 39 acres with an average drainage area of 30 acres. RKI believes that the calculated drainage areas support optional 20 acre density.

Because the consolidated interval for the field includes multiple reservoirs, a two factor allocation formula is required by Texas statute. RKI requests that allocation be based on 95% acres and 5% per well with a top oil allowable based on the 1965 Yardstick Allowable of 121 barrels of oil per day.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The subject Fields were discovered beginning in December 1983.
 - a. There are eleven producing oil wells and three operators carried on the proration schedules. RKI Exploration & Production LLC ("RKI") operates seven of the wells in the subject fields.
 - b. All of the subject fields operate under Statewide Rules.
 - c. The subject fields are geographically intermingled and there are no other fields contained within the proposed correlative interval.
 - d. Some of the wells have produced from several different fields.
3. The Red Bluff (Consolidated) Field should be designated as the correlative interval from 4,250 feet to 7,350 feet as shown on the log of the RKI Exploration & Production LLC - CBR 6 Lease, Well No. 14 (API No. 42-301-31572), Section 6, Block 56 T1, T&P RR Co Survey, A-1126, Loving County, Texas.
 - a. The correlative interval includes the Cherry Canyon, Brushy Canyon and Bone Spring formations.
 - b. The reservoir and fluid properties in all the fields are similar and the Commission has already approved exceptions to Statewide Rule 10 to allow downhole commingling in the various fields.
 - c. A bottomhole pressure build-up test on one well shows just over 100 psi of pressure differential between the Delaware sands and the Bone Spring formations and no crossflow between the commingled formations is anticipated.
4. RKI is proposing similar spacing and density Field Rules that exist in the nearby Dimmitt (Delaware Cons) and Matthews (Canyon Cons.) Fields.
 - a. RKI requests 330'-660' well spacing and 40 acre oil units with optional 20 acre density.
 - b. Calculated drainage areas for 5 sample wells in the consolidated fields range from 19 acres up to 39 acres with an average drainage area of 30 acres.

- c. The calculated drainage areas support optional 20 acre density.
- 5. Allocation based on 95% acres and 5% per well with a top oil allowable based on the 1965 Yardstick Allowable of 121 barrels of oil per day is a reasonable formula which will protect correlative rights and meet statutory requirements.

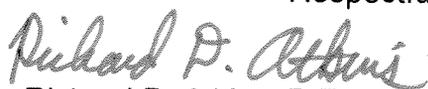
CONCLUSIONS OF LAW

- 1. Proper notice of this hearing was given to all persons legally entitled to notice.
- 2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
- 3. Consolidation of the subject fields and adopting Field Rules for the proposed Red Bluff (Consolidated) Field will 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 approve the field consolidation and adopt Field Rules for the proposed Red Bluff (Consolidated) Field, as requested by RKI Exploration & Production LLC.

Respectfully submitted,


Richard D. Atkins, P.E.
Technical Examiner


Michael Crnich
Legal Examiner