



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 03-0276538

THE APPLICATION OF NAVIDAD RESOURCES, LLC TO AMEND THE FIELD RULES FOR THE FORT TRINIDAD, EAST (BUDA) FIELD, HOUSTON AND MADISON COUNTIES, TEXAS

HEARD BY: Brian Fancher, P.G. - Technical Examiner
Michael Crnich - Legal Examiner

DATE OF HEARING: June 25, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Doug Dashiell
Daniel E. George

Navidad Resources, LLC

OBSERVER:

George C. Neale

Burk Royalty Co., Ltd.

EXAMINERS, REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Fort Trinidad, East (Buda) Field were adopted in Final Order No. 3-56,036, effective February 14, 1966, as amended. The current Field Rules are summarized as follows:

1. Designated correlative interval from from 9,130 feet to 9,377 feet as shown on the log of the Texas Oil & Gas Corp. - Jones "FF" Lease, Well No. 1 (API No. 42-313-30307), H. Walker Survey, A-34, Madison County
2. 467'-933' well spacing;
3. 640 acre oil proration units, 80 acre options , 40 acre tolerance, and additional acreage assigned to horizontal wells based on formula apart from Statewide Rule 86;

4. Maximum Daily Oil Allowable of 1,740 BO per day per well and allocation based on 100% acres;

Navidad Resources, LLC (“Navidad”) requested to amend Field Rule No. 3 to remove the forty acre tolerance provision and include ten percent tolerance acreage per well that equates to 64 acres tolerance per well in the field.

The application was unopposed and the examiners recommend that the Field Rules be amended for the Fort Trinidad, East (Buda) Field, as proposed by Navidad.

DISCUSSION OF EVIDENCE

At the hearing, Navidad submitted evidence that indicates the current field rules governing the subject field were approved per Oil & Gas Final Order 03-0274246 on March 20, 2012. Navidad evidenced the current field rules provide operators in the subject field the option to assign forty acres tolerance to the last well drilled on any lease after the drilling of the last well on the lease has occurred. That is, the current field rules stipulate that a vertical well completed in the subject field may be assigned up to 680 acres after tolerance acreage is incorporated to the last well drilled on a lease.

In the subject application, Navidad requested to amend the field rule provision governing tolerance acreage to instead allow an operator in the subject field the option to assign up to sixty-four acres tolerance to any well completed on its lease or unit. Navidad testified that it currently retains pooled units in the subject field that withhold more than 680 acres but less than 704 acres.

In its evidence, Navidad submitted an aerial map that depicts survey locations that outline lease-hold acreage in which Navidad, and its joint-venture partner Burk Royalty Co., Ltd., currently retains in Houston and Madison Counties, Texas. As shown on the map, Navidad currently holds numerous leases ranging in size from 631.51 acres to 12,721.1 acres. Moreover, Navidad testified that units located on the map are existing court-house designated units that incorporate the correlative interval identified in the current field rules governing the subject field.

In conjunction with the above mentioned map, Navidad submitted a tabulated list of current or potential completion wells in the subject field that are located on units ranging in size from 631.5 acres to 702.7 acres. Navidad testified that the adoption of its proposed tolerance acreage would allow it to assign the total unit acreage, as demonstrated on its well tabulation, to a single proration unit. Alternatively, Navidad testified that if its subject application were not approved as it requested, roughly ten to thirty acres from a pooled unit would be left unassignable to a proration unit. Navidad further testified that the incorporation of sixty-four acres tolerance per well would protect correlative rights by allowing all of the acreage on its pooled units to participate in a proration unit.

Additionally, Navidad submitted a list of fields that provide up to ten percent tolerance acreage for oil wells completed in their respective field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. On March 20, 2012, Oil & Gas Final Order 03-0274246 established the current field rules that govern the Fort Trinidad, East (Buda) Field.
3. The well density provision established in the current field rules for the Fort Trinidad, East (Buda) Field provides 640 acre oil units, optional 80 acre oil units, and 40 acre tolerance acreage.
4. The maximum acreage allowed to be assigned to a vertical well completed in the Fort Trinidad, East (Buda) Field is 680 acres.
5. The proposed 64 acre tolerance provision for wells completed in the Fort Trinidad, East (Buda) Field is appropriate.

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. Amending the Field Rules for the Fort Trinidad, East (Buda) Field is necessary to prevent waste, protect correlative rights, and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the Field Rules for the Fort Trinidad, East (Buda) Field, as proposed by Navidad Resources, LLC.

Respectfully submitted,


Michael Crnich
Legal Examiner


Brian Fancher, P.G.
Technical Examiner