

THE APPLICATION OF SQUARE MILE ENERGY, L.L.C. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) COCONUT (ANOMALINA 4) FIELD, MATAGORDA COUNTY, TEXAS

Heard by: Donna K. Chandler on July 20, 2007

Appearances:

Jim Bostic
Matthew Adams
Kerry Bonner

Representing:

Square Mile Energy, L.L.C.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Square Mile Energy, L.L.C. requests that a new field designation called the Coconut (Anomalina 4) Field be approved for its Saha-Petersen Unit Well No. 1. Square Mile requests that the following field rules be adopted for the new field:

1. Designation of the field as the correlative interval from 11,935 feet (TVD) to 12,535 feet (TVD) as shown on the log of the Saha-Petersen Unit No. 1;
2. Allocation based on 95% deliverability and 5% per well.

There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

DISCUSSION OF EVIDENCE

Square Mile Energy, L.L.C. completed its Saha-Petersen Unit No. 1 in April 2007. The well is a directional well drilled to a total depth of 12,679 feet (TVD). The well is perforated in two intervals in the Anomalina 4 between 12,180 feet (TVD) and 12,532 feet (TVD) and produces approximately 6 MMCFD. Square Mile plans to add perforations near the top of the proposed designated interval.

The new field designation should be approved for the Saha-Petersen No. 1. There are 86 wellbores within a 2½ mile radius of the No. 1 well, none of which are active. The deepest completion is the J. Yeamans Unit Well No. 1, which was perforated in the Anomalina 4 between 11,754 and 11,823 feet and is now plugged. The Saha-Petersen No. 1 is separated from the J. Yeamans No. 1 by a large fault with more than 1,000 feet of

throw. Additionally, the Saha-Petersen No. 1 encountered virgin pressure of 10,284 psi.

Square Mile requests that the entire correlative interval between 11,935 feet (TVD) and 12,535 feet (TVD) in the Saha-Petersen Unit Well No. 1 be considered a single field known as the Coconut (Anomalina 4) Field. This interval includes the entire Anomalina 4. Separate completions of each of the stringers within the Anomalina 4 would not be economic, given that the cost to drill the well was almost \$4 million.

Square Mile presented gas analyses from each of the two currently perforated intervals. The two stringers produce very similar gas.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Square Mile requests that allocation be based on 95% deliverability and 5% per well for the field.

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. Square Mile Energy, L.L.C. completed its Saha-Petersen Unit No. 1 in April 2007 with perforations between 12,180 feet (TVD) and 12,532 feet (TVD).
3. The Saha-Petersen Unit Well No. 1 is entitled to a new field designation because the only well in 2½ miles which produced from a comparable interval is fault separated from the Saha-Petersen Unit No. 1. The Saha-Petersen Unit No. 1 encountered virgin pressure.
4. The entire correlative interval from 11,935 feet (TVD) to 12,535 feet (TVD) in the Saha-Petersen Unit Well No. 1 should be designated as the Coconut (Anomalina 4) Field.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single 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. Approval of the requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the Coconut (Anomalina 4) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner