

OIL AND GAS DOCKET NO. 06-0250916

THE APPLICATION OF HARMAN OPERATING COMPANY, INC. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) THANKSGIVING DAY (LWR GLEN ROSE) FIELD, ANGELINA COUNTY, TEXAS

Heard by: Donna K. Chandler on April 5, 2007

Appearances:

Cary McGregor

Representing:

Harman Operating Company, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Harman Operating Company, Inc. requests that a new field designation be approved for its J. W. Sessions Heirs Well No. 1. Harman had requested a field name of Thanksgiving (Lower, Glen Rose) Field. However, this name was not available on the Commission's computer records and Harman therefore requested a field name of Thanksgiving Day (Lwr Glen Rose) Field. Harman requests that the following temporary field rules be adopted for the Thanksgiving Day (Lwr Glen Rose) Field:

1. Designation of the field as the correlative interval from 8,140 feet to 8,185 feet as shown on the log of the Sessions Heirs No. 1;
2. 1,320'-2,640' well spacing;
3. 320 acre gas units plus 10% tolerance and a maximum diagonal of 8,500 feet;
4. Allocation based on 100% acreage with AOF status.

There were no protests to this application and the examiner recommends approval of the new field designation and temporary field rules, with the rules being subject to review in 18 months.

DISCUSSION OF EVIDENCE

Harman Operating Company, Inc. completed its Sessions Heirs No. 1 in December 2006 with perforations in the Glen Rose between 8,156 and 8,166 feet. On initial test, the well produced at a maximum rate of 2,398 MCFD.

The proposed correlative interval for the field is from 8,140 feet to 8,185 feet as shown on the log of the Sessions Heirs No. 1. This interval includes the entire Glen Rose. There is no Glen Rose production within a 2 ½ mile radius of the Sessions Heirs No. 1 and the well is therefore entitled to a new field designation. The Sessions Heirs No. 1 encountered virgin pressure of 3,993 psi.

Recoverable reserves beneath 320 acres are estimated to be 525 MMCF of gas, assuming an abandonment pressure of 500 psi. This calculation is based on 6% average porosity, 40% average water saturation and 5.5 feet of net pay. Harman estimates that the Sessions Heirs No. 1 will ultimately recover between 350 and 540 MMCF of gas, based on P/Z extrapolation. From December 19, 2006 through April 1, 2007, the well has produced 127 MMCF of gas.

The proposed 1,320'-2,640' well spacing is standard for 320 acre density. Harman requests a maximum diagonal of 8,500 feet for the 320 acre units. This will accommodate the long, narrow tracts in the area.

A two-factor allocation formula is not required for this new field and Harman requests that allocation be based on 100% acreage. Harman also requests that the allocation formula be suspended because there is a market for all gas produced from this new 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. The Sessions Heirs No. 1 was completed in December 2006 with perforations in the Glen Rose between 8,156 and 8,166 feet.
3. A new field designation is appropriate for the Sessions Heirs No. 1 because there is no comparable production within 2½ miles of the well.
4. Field rules providing for 320 acre density is appropriate for the new field.
 - a. Recoverable reserves beneath 320 acres are 525 MMCF of gas.

- b. The estimated ultimate recovery for the Sessions Heirs No. 1 is between 350 and 540 MMCF, assuming 500 psi abandonment pressure.
5. The Thanksgiving Day (Lwr Glen Rose) Field should be defined as the correlative interval from 8,140 to 8,185 feet as shown on the log of the Sessions Heirs No. 1.
6. Well spacing a minimum of 1,320 feet from lease lines and 2,640 feet between wells is the standard spacing associated with 320 acre units.
7. Allocation based on 100% acreage is a reasonable formula which will protect correlative rights.

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 temporary field rules will prevent waste, protect correlative rights and promote the orderly development of the field.
4. Suspension of the allocation formula for the Thanksgiving Day (Lwr Glen Rose) Field is appropriate pursuant to Statewide Rule 31 (j).

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of temporary field rules for the Thanksgiving Day (Lwr Glen Rose) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner