

THE APPLICATION OF SUNDOWN ENERGY, LP TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT TEMPORARY FIELD RULES FOR THE PROPOSED H. S. A. (CLEAR FORK) FIELD, WARD COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Terry Johnson - Legal Examiner

DATE OF HEARING: June 21, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

Greg Cloud

Sundown Energy, LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sundown Energy, LP ("Sundown") requests that a new field designation called the H. S. A. (Clear Fork) Field (ID No. 37821 170) be approved for its Hutchings Stock Assn Lease, Well No. 1492. Sundown proposes that the following Temporary Field Rules be adopted for the new field, subject to review in 18 months:

1. Designation of the field as the correlative interval from 4,990 feet to 6,150 feet as shown on the log of the Sundown Energy, LP - Hutchings Stock Assn Lease, Well No. 1492 (API No. 42-475-34000);
2. 330'-933' well spacing;
3. 40 acre oil units with optional 20 acre density;
4. Allocation based on 95% potential and 5% acres with a Top Oil Allowable based on the 1965 Yardstick Allowable of 102 barrels of oil per day.

The examiners noted that the correlative interval was only the Clear Fork formation which is comprised of a continuous dolomite section containing various porosity stringers. In addition, the closest Clear Fork field, the Monahans (Clear Fork) Field, has a one factor allocation formula based on 100% acres. As a result, the examiners recommend a one factor allocation formula based on 100% acres.

The examiners also noted that, based on the 1965 Yardstick Allowable, the Top Oil Allowable would be 93 barrels of oil per day, since the correlative interval begins at 4,990 feet and not 5,000 feet. The examiners recommend that the Top Oil Allowable be based on the Discovery Allowable of 130 barrels of oil per day until expiration when it will change to the 1965 Yardstick Allowable of 93 barrels of oil per day.

Sundown did not consider these recommendations to be adverse. There were no protests to this application and the examiners recommend approval of the new field designation and Temporary Field Rules for the H. S. A. (Clear Fork) Field.

DISCUSSION OF EVIDENCE

Sundown completed its Hutchings Stock Assn Lease, Well No. 1492, in September 2011 with perforations in the Clear Fork formation between 5,000 feet and 6,002 feet. On initial test, the well produced pumping at a maximum rate of 28 BOPD, 52 MCFGPD and 958 BWPD. Currently, Sundown is the only operator in the new field. Cumulative production from the field through April 2012 is 9.1 MBO and 19.5 MMCFG.

A new field designation should be approved for the Hutchings Stock Assn Lease, Well No. 1492, as there is no comparable production within a 2.5 mile radius of the discovery well. Although there are 656 wells located in the 2.5 mile radius, most of the wells produce from the shallower San Andres formation and never penetrated the Clear Fork formation. There are some deeper Pennsylvanian formation producing wells, but none of the those wells produced from or tested the Clear Fork interval. Sundown requests that the correlative interval from 4,990 feet to 6,150 feet as shown on the log of the Sundown Energy, LP - Hutchings Stock Assn Lease, Well No. 1492 (API No. 42-475-34000), Section 73, Block N, G&MMB&A Survey, A-109, Ward County, Texas, be designated as the H. S. A. (Clear Fork) Field. The interval includes the entire Clear Fork formation.

From log analysis, Sundown estimated an average porosity of 10%, an average saltwater saturation of 40%, a net pay thickness of 100 feet and a recovery factor of 10%. Sundown calculated the drainage area for the discovery well to be 15 acres. Based on this analysis, Sundown requests 330'-933' well spacing and 40 acre oil units with optional 20 acre density. The closest Clear Fork formation field, the Monahans (Clear Fork) Field, has similar spacing and density rules. Based on the examiners recommendation, Sundown proposes allocation based on 100% acres and a Top Oil Allowable based on the Discovery Allowable of 130 barrels of oil per day until expiration when it will change to the 1965 Yardstick Allowable of 93 barrels of oil per day.

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. Sundown Energy, LP ("Sundown") completed its Hutchings Stock Assn Lease, Well No. 1492, in September 2011 with perforations in the Clear Fork formation between 5,000 feet and 6,002 feet.
 - a. On initial test, the well produced pumping at a maximum rate of 28 BOPD, 52 MCFGPD and 958 BWPD.
 - b. Sundown is the only operator in the new field.
3. The Hutchings Stock Assn Lease, Well No. 1492, is entitled to a new field designation, as there is no comparable production within a 2.5 mile radius of the discovery well.
4. The correlative interval from 4,990 feet to 6,150 feet as shown on the log of the Sundown Energy, LP - Hutchings Stock Assn Lease, Well No. 1492 (API No. 42-475-34000), Section 73, Block N, G&MMB&A Survey, A-109, Ward County, Texas, should be designated as the H. S. A. (Clear Fork) Field. The interval includes the entire Clear Fork formation.
5. Adoption of 330'-933' well spacing and 40 acre oil units with optional 20 acre density are appropriate for the field.
 - a. From log analysis, Sundown estimated an average porosity of 10%, an average saltwater saturation of 40%, a net pay thickness of 100 feet and a recovery factor of 10%.
 - b. Sundown calculated the drainage area for the discovery well to be 15 acres.
 - c. The closest Clear Fork formation field, the Monahans (Clear Fork) Field, has similar spacing and density rules.
6. Allocation based on 100% acres and a Top Oil Allowable based on the Discovery Allowable of 130 barrels of oil per day until expiration when it will change to the 1965 Yardstick Allowable of 93 barrels of oil per day will protect correlative rights and satisfy statutory requirements.

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 for the H. S. A. (Clear Fork) Field will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the new field designation and adopt Temporary Field Rules, subject to review in 18 months, for the proposed H. S. A. (Clear Fork) Field, as requested by Sundown Energy, LP.

Respectfully submitted,

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