

THE APPLICATION OF FORTAY INC. FOR NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) LATHEM, S. (DES MOINES) FIELD, HARTLEY COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on August 27, 2007

Appearances:

Glenn E. George

Representing:

Fortay Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Fortay Inc. requests a new field designation called the Lathem, S (Des Moines) Field be approved for its Malcolm Bryant No. 1. Fortay also requests that the following rules be adopted for the new field:

1. Designation of the Lathem, S (Des Moines) Field as the correlative interval from 6,528 feet to 6,930 feet as shown on the Halliburton Spectral Density Dual Spaced Neutron log of the Malcolm Bryant Well No. 1;
2. 660' - 1320' well spacing;
3. 80 acre proration units with 40 acre tolerance for the last well on a lease and a maximum diagonal of 3,250 feet;
4. Allocation based on 95% acreage and 5% deliverability.

During the hearing the applicant's representative requested 80 acre oil units instead of 160 acre oil units (as drainage calculations would not support 160 acre units) and requested cancellation of overproduction.¹ There were no protests to this application and the examiner recommends approval of the new field designation, cancellation of overproduction and temporary field rules.

DISCUSSION OF EVIDENCE

¹ The Notice of Hearing listed the 160 acre units with 80 acre tolerance as density well proposed for temporary rules.

Fortay completed its Malcolm Bryant No. 1 in March 2007 with perforations into the Des Moines Formation between 6,610 and 6,620 feet. On initial test, the well produced at a rate of 320 BOPD and 39 BWPD.

The new field designation should be approved for the subject well. There are two plugged wellbores within a 2 ½ mile radius of the Malcolm Bryant No. 1 which are drilled into the Des Moines in the Dobervich Field. The two wells produced small quantities of oil and are believed to separate reservoirs of limited size. There are no wells currently producing from the Des Moines within a 2 ½ mile radius of the Malcolm Bryant No. 1. The nearest Des Moines production is 2.3 miles northwest from the Malcolm Bryant No. 1 in the Dobervich Field.

Fortay requests that the entire correlative interval between 6,528 to 6,930 feet in the Malcolm Bryant No. 1 be considered a single field. Preliminary drainage calculations for the well estimates the well will drain 79 acres. Fortay requests 80 acre oil units with 660' - 1,320' spacing (standard for 80 acre units). This interval includes several separate accumulations of hydrocarbons and therefore a two factor allocation formula is required. Forest requests that allocation for wells in the field be based on 95% acreage and 5% deliverability.

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. Fortay Inc. completed its Malcolm Bryant No. 1 in March 2007 with perforations in the Des Moines between 6,610 and 6,620 feet.
3. The Malcolm Bryant No. 1 is entitled to a new field as there is no other comparable Des Moines production within 2 ½ miles of the Malcolm Bryant No. 1.
4. The entire correlative interval between 6,528 feet to 6,930 feet as shown on the Halliburton Spectral Density Dual Spaced Neutron log of the Malcolm Bryant Well No. 1 should be designated as the Lathem, S (Des Moines) Field.
5. Preliminary drainage calculations estimate the Malcolm Bryant No. 1 will drain 79 acres. A density of 80 acre oil units with 660' - 1,320' spacing (standard for 80 acre units) is appropriate.
6. The field interval includes separate accumulations of hydrocarbons and a two factor allocation formula is necessary to consider the interval as a single field.

Allocation based on 95% acreage and 5% deliverability meets statutory requirements.

7. The subject lease is overproduced.

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 cancellation of overproduction and adoption of temporary 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, cancel over production and adoption of temporary field rules for the Lathem, S (Des Moines) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner