

OIL AND GAS DOCKET NO. 10-0261760

THE APPLICATION OF WHEELER ENERGY, LLC TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED WHITEY (MORROW, MIDDLE) FIELD, LIPSCOMB COUNTY, TEXAS

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

DATE OF HEARING: June 10, 2009

APPEARANCES:

Dick Marshall
Roger Wheeler

REPRESENTING:

Wheeler Energy, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Wheeler Energy, LLC ("Wheeler") requests that a new field designation called the Whitey (Morrow, Middle) Field be approved for its Byron Mason Lease, Well No. 1085R, (API No. 42-295-33391). Wheeler also requests that the following Field Rules be adopted for the new field:

1. Designation of the field as the correlative interval from 9,040 feet to 9,071 feet as shown on the log of the Wheeler Energy, LLC - Byron Mason Lease, Well No. 1085R, (API No. 42-295-33391), Lipscomb County, Texas;
2. 660'-1,320' well spacing;
3. 320 acre gas proration units with 10% tolerance and a maximum diagonal of 6,500'; and
4. Allocation based on 100% deliverability.

There were no protests to this application and the examiner recommends approval of the new field designation and Field Rules for the Whitey (Morrow, Middle) Field, with the exception of the allocation formula. The examiner recommends that allocation be based on 100% acreage. Wheeler did not consider this to be an adverse recommendation.

OIL AND GAS DOCKET NO. 10-0261760

DISCUSSION OF EVIDENCE

Wheeler completed its Byron Mason Lease, Well No. 1085R, in January 2009 with perforations in a Middle Morrow sand between 9,044 feet and 9,058 feet. On initial test, the well produced at a maximum rate of 1,034 MCFGPD and 10 BCPD. Cumulative production for the well through May 2009 is 77.9 MMCFG and 613 BC.

The new field designation should be approved for the Byron Mason Lease, Well No. 1085R. The 2 ½ Mile Radius includes 14 wells that penetrated the proposed correlative interval, but did not have any Middle Morrow sand. The nearest comparable Middle Morrow sand production is from one well located approximately one mile to the south in the Red Handle (Morrow, Middle) Field. However, Wheeler submitted a structure map for the field showing that a northeast to southwest trending fault exists that separates the proposed field from the Red Handle (Morrow, Middle) Field.

In addition, Wheeler submitted bottom hole pressure information for both wells that are producing from the Middle Morrow sand. The well in the Red Handle (Morrow, Middle) Field was completed in May 2007 and had an original bottom hole pressure of 3,407 psi. Cumulative production through February 2009 has been 1.2 BCFG. The Byron Mason Lease, Well No. 1085R, was completed in January 2009 and had an original bottom hole pressure of 3,406 psi, indicating that the two wells are indeed fault separated.

Wheeler requests that the entire correlative interval from 9,040 feet to 9,071 feet as shown on the log of the Wheeler Energy, LLC - Byron Mason Lease, Well No. 1085R, (API No. 42-295-33391), Lipscomb County, Texas, be designated as the Whitey (Morrow, Middle) Field.

Reservoir parameters are average porosity of 8%, average water saturation of 30% and average net pay of 9 feet. Wheeler submitted a volumetric reserve calculation that indicates an effective drainage area of 320 acres and that their one well will recover an estimated 1.2 BCFG. Since one well should effectively produce all of the gas reserves, minimum well spacing of 660'-1,320', 320 acre gas units and allocation based on 100% acreage are appropriate for this 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. Wheeler completed its Byron Mason Lease, Well No. 1085R, in January 2009 with perforations in a Middle Morrow sand between 9,044 feet and 9,058 feet. On initial test, the well produced at a maximum rate of 1,034 MCFGPD and 10 BCPD.

OIL AND GAS DOCKET NO. 10-0261760

3. The Byron Mason Lease, Well No. 1085R, is entitled to a new field designation.
 - a. The 2 ½ Mile Radius includes 14 wells that penetrated the proposed correlative interval, but did not have any Middle Morrow sand.
 - b. The nearest comparable Middle Morrow sand production is from one well located approximately one mile to the south in the Red Handle (Morrow, Middle) Field. However, Wheeler submitted a structure map for the field showing that a northeast to southwest trending fault exists that separates the proposed field from the Red Handle (Morrow, Middle) Field.
 - c. The well in the Red Handle (Morrow, Middle) Field was completed in May 2007 and had an original bottom hole pressure of 3,407 psi. Cumulative production through February 2009 has been 1.2 BCFG. The Byron Mason Lease, Well No. 1085R, was completed in January 2009 and had an original bottom hole pressure of 3,406 psi, indicating that the two wells are indeed fault separated.
4. The entire correlative interval from 9,040 feet to 9,071 feet as shown on the log of the Wheeler Energy, LLC - Byron Mason Lease, Well No. 1085R, (API No. 42-295-33391), Lipscomb County, Texas, should be designated as the Whitey (Morrow, Middle) Field.
5. Wheeler submitted a volumetric reserve calculation that indicates an effective drainage area of 320 acres and that their Well No. 1085R will recover an estimated 1.2 BCFG.
6. Since one well should effectively produce all of the gas reserves, minimum well spacing of 660'-1,320', 320 acre gas units and allocation based on 100% acreage are appropriate for this 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 and protect correlative rights.

OIL AND GAS DOCKET NO. 10-0261760

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends approval of the new field designation and adoption of Field Rules for the Whitey (Morrow, Middle) Field, as proposed by Wheeler Energy, LLC.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner