

OIL AND GAS DOCKET NO. 02-0271442

THE APPLICATION OF PATTERSON ENERGY CORPORATION TO CONSOLIDATE THE SPEARY (2600) AND THE KAWITT (YEGUA 3750) FIELDS INTO THE KAWITT (YEGUA) FIELD AND ADOPT FIELD RULES FOR THE KAWITT (YEGUA) FIELD, KARNES COUNTY, TEXAS

Heard By: Brian K. Fancher - Technical Examiner

Hearing Date: August 25, 2011

Appearances:

George Neale
Greg Cloud

Representing:

Patterson Energy Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Patterson Energy Corporation ("Patterson") requests that the Speary (2600) and the Kawitt (Yegua 3750) Fields be consolidated into a new field to be known as the Kawitt (Yegua) Field, ID Number 48324 750.

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Speary (2600)	85043 852
Kawitt (Yegua 3750)	48324 300

Patterson requests the following field rules be adopted for the consolidated field:

1. Designation of the field as the correlative interval from 1,900 feet to 4,000 feet, as shown on the log of the Patterson Energy Corporation, Escondido Creek Lease, Well No. 3;
2. 330' lease line spacing and 660' between well spacing;
3. 40 acre density units;

4. Allocation based on 50% deliverability and 50% per well.

Furthermore, representatives on behalf of Patterson requested the allocation formula be suspended for the consolidated field as there is a 100% market demand for all gas produced from the field.

This application was unopposed and the examiner recommends approval of Patterson's request for field consolidation and proposed field rules.

DISCUSSION OF THE EVIDENCE

The Speary (2600) Field was discovered in August 1968 at an estimated depth of 2,600 feet. The field is classified as a non-associated gas field that operates under statewide rules. Currently, there is one producing well listed on the August 2011 gas proration schedule, of which is operated by Patterson. Cumulative production through July 2011 is reported as 135 MCF. The Kawitt (Yegua 3750) Field was discovered in January 2009 at an estimated depth of 3,750 feet. Similarly, the field is classified as a non-associated gas field that operates under statewide rules. Patterson is the only operator in the field. Cumulative production through July 2011 is reported as 653 MCF and 3.6 MBC.

Patterson is proposing to consolidate the two aforementioned fields into the Kawitt (Yegua) Field. The designated interval for the proposed consolidated field is measured as the correlative interval from 1,900 feet to 4,000 feet, as shown on the log of the Patterson Energy Corporation, Escondido Creek Lease, Well No. 3, API No. 42-255-31958, A-43, P. Trevino Survey, Karnes County, Texas. In the geographical area of the proposed consolidated field, the primary source of production has been determined to consist of a series of strandplain, Yegua sands that are isolated from one another by low permeable, sedimentary clastics. The applicant opines Yegua sands in the area of the proposed subject field consistently range from five to ten feet in thickness and consist of relatively high values in permeability and porosity. Patterson further argues the individual sands encompassed into the proposed, consolidated field would historically warrant the issuance of individual field designations; however, due to the low production expectancy of the individual sand members and the historical production values witnessed thus far, the applicant opines the consolidation of the subject fields is appropriate for the development of the area.

Patterson is proposing the Kawitt (Yegua) Field operate under field rules providing for 330' lease line spacing and 660' between well spacing and 40 acre density units. Patterson indicates it will be actively developing the proposed interval by drilling infill wells.

As required by state statute, a two factor allocation formula must be adopted for the proposed field designation to be considered a single field. Patterson requests that the allocation formula be based on 50% deliverability and 50% per well. Patterson indicates there is a 100% market demand for all gas produced from the subject fields and therefore requests the proposed field be classified as AOF status.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The Speary (2600) Field was discovered in August 1968 at an estimated depth of 2,600 feet. The field is classified as a non-associated gas field that operates under statewide rules.
3. The Kawitt (Yegua 3750) Field was discovered in January 2009 at an estimated depth of 3,750 feet. The field is classified as a non-associated gas field that operates under statewide rules.
4. Consolidation of the Speary (2600) and the Kawitt (Yegua 3750) Fields into the Kawitt (Yegua) Field is appropriate.
5. The correlative interval measured from 1,900 feet to 4,000 feet, as shown on the log of the as shown on the log of the Patterson Energy Corporation, Escondido Creek Lease, Well No. 3, API No. 42-255-31958, A-43, P. Trevino Survey, Karnes County, Texas shall be the designated interval for the Kawitt (Yegua) Field.
6. In the geographical area of the proposed consolidated field, the primary source of production has been determined to consist of a series of Yegua sands that are isolated from one another by low permeable, sedimentary clastics.
7. The proposed field rules for the Parker (Wolfcamp Consolidated) Field of 330'-660' well spacing and 40 acre density units are appropriate to allow for future development.
8. Allocation based on 50% deliverability and 50% per well is appropriate for the proposed field.
9. Suspension of the allocation formula is appropriate as there is a 100% market demand for all gas produced from the field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.

3. Consolidation of the fields as proposed by Patterson Energy Corporation is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Speary (2600) and the Kawitt (Yegua 3750) Fields be consolidated into a new field to be known as the Kawitt (Yegua) Field.

Respectfully submitted,

Brian K. Fancher
Technical Examiner