

August 15, 2007

OIL AND GAS DOCKET NO. 08-0251626

APPLICATION OF SANDRIDGE ENERGY, INC. TO CONSOLIDATE THE VARIOUS FIELDS INTO THE ALLISON RANCH (WOLFCAMP) FIELD AND AMEND THE FIELD RULES FOR THE ALLISON RANCH (WOLFCAMP) FIELD, PECOS COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: June 29, 2007

APPEARANCES:

Bill Spencer
Cary McGregor
Jeremy McKee

REPRESENTING:

Sandridge Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Sandridge Energy for the Commission to consider consolidating the GMW (Wolfcamp), Goat Roper(Wolfcamp), Grey Ranch (Wolfcamp) and Sierra Madre (Wolfcamp) into the existing Allison Ranch (Wolfcamp) Field. At the hearing Sandridge removed the Elsinore (Wolfcamp) Field and the Maylaw (Wolfcamp) Field from the proposed field consolidations.¹ The Allison Ranch (Wolfcamp) Field is governed by Statewide rules. Sandridge Energy proposes the field rules be amended as follows:

1. The entire combined correlative interval from 2,700' to 4,701' (from top of the Wolfcamp unconformity to the top of the Overthrust formation) as shown on the log of the Riata Energy, Inc., Longfellow 600-3- Lease Well No. 6 (API No. 42-371-37316), Pecos County, Texas, be designated as the Allison Ranch (Wolfcamp) Field.
2. Minimum well spacing of 330'/0' (leaseline/between well);
3. 40 acre units with a maximum diagonal of 2,100' and optional 20 acre density and maximum diagonal of 1,500'; and
4. An allocation formula based on 95% deliverability and 5% per well and the allocation formula remain suspended.

During the hearing, Sandridge requested that the filing of proration unit plats not be

¹ The Notice of Hearing listed the Elsinore (Wolfcamp) and the Maylaw (Wolfcamp) Fields as fields proposed for consolidation.

required as acreage and not part of the allocation formula.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The GMW (Wolfcamp), Goat Roper(Wolfcamp), Grey Ranch (Wolfcamp) and Sierra Madre (Wolfcamp) Fields were discovered between 1967 and 2004. The fields are governed by Statewide Rules. Currently there is only one active well in all five fields. Cumulative production from the fields: 80.6 MMCF of gas and 8,552 barrels of oil. All cumulative production came from two wells in the Allison Ranch (Wolfcamp) Field. Other wells listed the GMW (Wolfcamp), Goat Roper(Wolfcamp), Grey Ranch (Wolfcamp) and Sierra Madre (Wolfcamp) Fields are not completed within the proposed designated interval and will be transferred administratively to the appropriately fields.

Consolidation of the subject four fields into the Allison Ranch (Wolfcamp) Field will provide for the recovery of reserves that otherwise would go unrecovered. The geology of this area is exceedingly complex because it overlies the overthrust region which contains numerous thrust faults and overlays. Most of the fields proposed for consolidation do not contain any wells completed in the Wolfcamp. Consolidating the fields will promote orderly development in the field.

Forty (40) acre and optional 20 acre density is necessary to provide for the effective and efficient depletion of these tight reservoirs. The reservoirs are tight and production to date has been unsuccessful and uneconomic. Reserve/drainage analysis calculates that wells may drain as little as 7 acres (Allison Lease Well No. 1 (Goat Roper (Wolfcamp) Field)). Currently there are 30 drilling rigs targeting the Pinion (Overthrust) Field with the possibility of also completing and commingling with the Allison Ranch (Wolfcamp) Field.

Minimum well spacing of 330'/0' (leaseline/between well) will provide flexibility in locating new wells without the need of obtaining numerous Rule 37 exceptions.

A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well will provide for the protection of correlative rights. The allocation formula should remain suspended.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.

2. There was no protest at the call of the hearing.
3. The GMW (Wolfcamp), Goat Roper(Wolfcamp), Grey Ranch (Wolfcamp) and Sierra Madre (Wolfcamp) Fields were discovered between 1967 and 2004.
 - a. The fields are governed by Statewide Rules. Currently there is only one active well in the Allison Ranch (Wolfcamp) Field.
 - b. Cumulative production from the fields is 80.6 MMCF of gas and 8,552 barrels of oil.
3. Consolidation of the subject four fields into the Allison Ranch (Wolfcamp) Field will provide for the recovery of reserves that otherwise would go unrecovered.
 - a. Most of the fields proposed for consolidation do not contain any wells completed in the Wolfcamp.
 - b. Consolidating the fields will promote orderly development in the Allison Ranch (Wolfcamp) Field.
4. The entire combined correlative interval from 2,700' to 4,701' (from top of the Wolfcamp unconformity to the top of the Overthrust formation) as shown on the log of the Riata Energy, Inc., Longfellow 600-3- Lease Well No. 6 (API No. 42-371-37316), Pecos County, Texas, be designated as the Allison Ranch (Wolfcamp) Field.
5. Forty (40) acre and optional 20 acre density is necessary to provide for the effective and efficient depletion of these multi-layered reservoirs.
 - a. Reserve/drainage analysis calculates that wells may drain as little as 7 acres (Allison Lease Well No. 1 (Goat Roper (Wolfcamp) Field)).
 - b. Acreage is not part of the allocation formula has proration units plats are not necessary.
6. Minimum well spacing of 330'/0' (leaseline/between well) will provide flexibility in utilizing existing wellbores without the need of obtaining numerous Rule 37 exceptions.
7. A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula for oil wells based on 95% deliverability and 5% per well for gas wells will provide for the protection of correlative rights.

- b. The allocation formula should remain suspended.
- c. The gas field should be classified as Associated-Prorated and not subject to 49(b) allowables.

CONCLUSIONS OF LAW

- 1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
- 2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
- 3. Consideration for consolidation of fields and field rules, a determination of the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.
- 4. Adoption of the proposed consolidation of fields and adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation and field rules for the Allison Ranch (Wolfcamp) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner
Office of General Counsel