

THE APPLICATION OF SANDRIDGE EXPL. AND PROD., LLC TO CONSOLIDATE THE BLOCK 11 (FUSSELMAN) AND MARTIN, WEST (FUSSELMAN) FIELDS INTO THE MARTIN (CONSOLIDATED) FIELD AND TO AMEND THE FIELD RULES FOR THE MARTIN (CONSOLIDATED) FIELD, ANDREWS, HOWARD AND ECTOR COUNTIES, TEXAS

HEARD BY: Donna K. Chandler, Technical Examiner

DATE OF HEARING: July 23, 2010

APPEARANCES:

Bill Spencer
Cary McGregor

REPRESENTING:

Sandridge Expl. and Prod., LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sandridge Expl. and Prod., LLC requests that the Block 11 (Fusselman) Field and the Martin, West (Fusselman) Field be consolidated into the Martin (Consolidated) Field. Sandridge also requests that Rule 1 of the field rules for the Martin (Consolidated) Field be amended as follows to include the Fusselman:

1. Designation of the field as the correlative interval from 4,204 feet to 8,444 feet as shown on the log of the Phillips University No. 1.

Sandridge further requests that an MER of 525 BOPD be adopted for each well in the consolidated field.

This application was unopposed and the examiner recommends approval of the field consolidation and amendment to Rule 1 of the Field Rules for the Martin (Consolidated) Field. It is recommended that an MER of 525 BOPD be adopted only for the Phillips University O No. 12 well. Sandridge did not consider this to be an adverse recommendation.

DISCUSSION OF THE EVIDENCE

On June 22, 2010 in Docket No. 08-0265191, the Commission approved the consolidation of several fields into the Martin (Consolidated) Field. The field currently includes all zones between the top of the San Andres Formation and the base of the Wolfcamp Formation. Sandridge now requests that the Block 11 (Fusselman) Field and the Martin, West (Fusselman) Fields be consolidated into the Martin (Consolidated) Field and that the field interval be amended to include the Fusselman Formation.

The Block 11 (Fusselman) Field was discovered in 1961 and there are currently 3 producing oil wells in the field. The field operates under rules providing for 160/optional 80 acre density and 467'-1,320' well spacing. Cumulative production from the field is approximately 1.1 million BO and current total field production is 23 BOPD.

The Martin, West (Fusselman) Field was also discovered in 1961 and there are 5 producing oil wells in this field. This field operates under Statewide Rules. Cumulative production from the field is approximately 750,000 BO and current total field production is 20 BOPD.

The Fusselman is continuous across the Martin (Consolidated) Field area ranges in thickness from 200-400 feet. At least 8 Rule 10 exceptions have been approved for the Fusselman and other fields which now comprise the Martin (Consolidated) Field. Sandridge is actively developing the Fusselman and 14 drilling permits have been issued in the two fields in 2010.

Consolidation of the fields will increase the economic viability of the wells. Producing all of the reservoirs simultaneously will reduce the abandonment rate for each zone and increase the ultimate recovery of hydrocarbons from all of the reservoirs. Assuming an economic limit of 2 BOPD and an 11.5% exponential decline rate for just two reservoirs, Sandridge estimates that the incremental reserves to be recovered from each commingled well is over 6,000 BO and 47 MMCF of gas.

Sandridge completed its Phillips University O No. 12 in the Block 11 (Fusselman) Field in June 2010. This well initially produced at rates in excess of 700 BOPD. The well is on pump but continues to flow through the casing also. Sandridge reduced the rate of production incrementally down to about 400 BOPD. Decreasing the choke size resulted in increased casing pressure and a slight increase in gas-oil ratio. It is believed that the reservoir is solution gas drive and the gas-oil ratio is expected to continue to increase. Sandridge plans to produce only the Fusselman in this well until the rate decreases significantly, at which time other zones will be commingled.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The designated interval for the Martin (Consolidated) Field is currently from 4,199 feet to 7,923 feet as shown on the log of the University ATP Well No. 5. The interval includes all zones from the top of the San Andres to the base of the Wolfcamp.
3. With the inclusion of the Fusselman formation, the Martin (Consolidated) Field should be designated as the entire correlative interval from 4,202 feet to 8,444 feet as shown on the log of the Phillips University Well No. 1 (API No. 003-00649).
4. At least 8 Rule 10 exceptions have been approved for the Fusselman and other fields which now comprise the Martin (Consolidated) Field.
5. Consolidation of the Martin, West (Fusselman) and Block 11 (Fusselman) Fields into the Martin (Consolidated) Field will result in the recovery of approximately 6,200 BO and 47 MMCF of gas per wellbore.
6. Approval of an MER of 525 BOPD for the Phillips University O No. 12 in the Block 11 (Fusselman) Field will not cause waste.
 - a. The well initially produced at rates in excess of 700 BOPD.
 - b. The well is on pump but continues to flow through the casing also. Sandridge reduced the rate of production incrementally down to about 400 BOPD.
 - c. Decreasing the choke size resulted in increased casing pressure and a slight increase in gas-oil ratio. It is believed that the reservoir is solution gas drive and the gas-oil ratio is expected to continue to increase.

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 Martin, West (Fusselman) Field and the Block 11 (Fusselman) Field into the Martin (Consolidated) Field and amending the Field Rules for the Martin (Consolidated) Field will prevent waste and protect correlative rights.
4. Approval of an MER of 525 BOPD and cancellation of overproduction for the University Phillips O No. 12 well will not cause waste or harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends the consolidation of the Martin, West (Fusselman) Field and the Block 11 (Fusselman) Field into the Martin (Consolidated) Field. It is further recommended that the correlative interval for the Martin (Consolidated) Field be amended, as requested by Sandridge and that an MER of 525 BOPD be established for the University Phillips O No. 12.

Respectfully submitted,

Donna K. Chandler
Technical Examiner