

THE APPLICATION OF DIAMONDBACK OPERATING, LP TO ADOPT FIELD RULES FOR THE HACKBERRY CREEK (CANYON) FIELD, EDWARDS COUNTY, TEXAS

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

DATE OF HEARING: February 19, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

BY TELEPHONE:

Mark Patrick

Diamondback Operating, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Diamondback Operating, LP ("Diamondback") requests that Field Rules be adopted for the Hackberry Creek (Canyon) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 2,690 feet to 3,280 feet as shown on the log of the Bowermaster "46" Lease, Well No. 5;
2. 330'-660' well spacing;
3. 40 acre units with optional 20 acre density;
4. Allocation based on 100% acreage.

This application was unopposed and the examiner recommends that the Field Rules proposed by Diamondback be adopted for the Hackberry Creek (Canyon) Field.

DISCUSSION OF EVIDENCE

The Hackberry Creek (Canyon) Field was discovered in October 1973 at a depth of approximately 3,100 feet. The field is classified as non-associated with exempt status and operates under Statewide Rules. Diamondback is the only operator in the field and has five producing and three shut-in wells listed on the proration schedule. Cumulative production from the field is 1.7 BCFG and current deliverabilities are less than 250 MCFPD per well.

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There is currently no defined field interval for the field. Diamondback requests that the field be defined as the correlative interval from 2,690 feet to 3,280 feet as shown on the Bowermaster "46" Lease, Well No. 5. This interval includes the entire Canyon Sand formation.

Diamondback requests that a density rule be adopted for the field which provides for 40 acre units with optional 20 acre density. Diamondback submitted Bottom Hole Pressure (BHP) data collected from the various wells in the field to support its request. The McGarr - Schoolfield Lease, Well No. 1, was completed in June 1976 and had an original BHP of 940 psig. The well produced approximately 0.875 BCF and was plugged and abandoned after the cessation of production. Subsequently, the well was offset by approximately 700 feet to the west by the Diamondback - Bowermaster "46" Lease, Well No. 5. This well encountered an original BHP of 1,048 psig. Based on the BHP data, Diamondback believes that the canyon sand in this area is tight and has a limited drainage area.

Diamondback requests a spacing rule that requires a minimum of 330 feet from lease lines and 660 feet between wells. The surface topography is extremely rugged and the flexibility for well site locations is severely restricted. In addition, Diamondback operates a shallower coal bed methane field, the Cool Water Ranch (Wlfc "A" Coal) Field. This field also has 330'-660' well spacing and optional 20 acre density. Diamondback stated that this spacing has allowed for more efficient development of the field and the Hackberry Creek (Canyon) Field needs to have the same flexibility. The proposed spacing will also accommodate 20 acre optional development.

Diamondback requests that the allocation formula be based on 100% acres and that the allocation formula be suspended, as there is a market for 100% of the gas produced.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Hackberry Creek (Canyon) Field was discovered in October 1973 at a depth of approximately 3,100 feet. The field is classified as non-associated with exempt status and operates under Statewide Rules.
3. Diamondback is the only operator in the field and has five producing and three shut-in wells listed on the proration schedule.
4. The Hackberry Creek (Canyon) Field should be defined as the correlative interval from 2,690 feet to 3,280 feet as shown on the Bowermaster "46" Lease, Well No. 5. This interval includes the entire Canyon Sand formation.

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5. Adoption of 40 acre units with 20 acre optional density is appropriate for the field.
 - a. The McGarr - Schoolfield Lease, Well No. 1, was completed in June 1976 and had an original BHP of 940 psig. The well produced approximately 0.875 BCF and was plugged and abandoned after the cessation of production.
 - b. Subsequently, the well was offset by approximately 700 feet to the west by the Diamondback - Bowermaster "46" Lease, Well No. 5. This well encountered an original BHP of 1,048 psig.
 - c. Based on the BHP data, the canyon sand in this area is tight and has a limited drainage area.
6. The surface topography is extremely rugged and the flexibility for well site locations is severely restricted.
7. A shallower coal bed methane field, the Cool Water Ranch (Wlfc "A" Coal) Field also has 330'-660' well spacing and optional 20 acre density. This spacing has allowed for more efficient development of the field and the Hackberry Creek (Canyon) Field needs to have the same flexibility.
8. A spacing rule providing for a minimum of 330 feet from lease lines and 660 feet between wells is standard spacing for 20 acre density.
9. Allocation based on 100% acres is a reasonable formula which will protect correlative rights and meet statutory requirements. Suspending the allocation formula is appropriate, as there is a 100% market for all the gas produced.

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. Adoption of the proposed field rules for the Hackberry Creek (Canyon) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

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RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission adopt the Field Rules proposed by Diamondback Operating, LP for the Hackberry Creek (Canyon) Field.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner