

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 01-0273989

THE APPLICATION OF SABCO OPERATING COMPANY, LLC TO ADOPT FIELD
RULES FOR THE ELAINE (AUSTIN CHALK) FIELD, DIMMIT COUNTY, TEXAS

HEARD BY: Andres J. Trevino P.E., Technical Examiner
James Doherty- Legal Examiner

HEARING DATE: February 17, 2012

APPLICANT:

Doug Dashiell
Charles Robinson
Jane Trusty

REPRESENTING:

Sabco Operating Company, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules (Statewide Rules) for the Elaine (Austin Chalk) Field are summarized as follows:

1. 467'-1,200' well spacing;
2. 40 acre drilling units;
3. Allocation based on 100% per well.

Sabco Operating Company, LLC requests that field rules be adopted as follows :

1. Designation of the field as the correlative interval from 5,790 feet to 6,490 feet as shown on the Triple Combo Log of the Tesoro Petroleum's E.L. Dismukes No. 85;

2. 467'- 0' well spacing, 40 acre drilling units;
3. Allocation based on 100% acreage.;

This application was unopposed and the examiners recommend that the field rules for the Elaine (Austin Chalk) Field be adopted as requested.

DISCUSSION OF EVIDENCE

The Elaine (Austin Chalk) Field was discovered in 1977 at a depth of 6,309 feet. Cumulative production from the field is approximately 7,180 BO. There are currently no wells on the proration schedule. Sabco Operating has recently drilled four wells in the field. Most of the wells are not yet completed and are not yet on the proration schedule. There are no other operators in the field.

The Sabco wells will be completed in the Austin Chalk limestone that lies below the Serpentine and above the Eagle Ford Shale. The field should be designated as the correlative interval from 5,790 feet to 6,490 feet as shown on the Triple Combo Log of the Tesoro Petroleum's E.L. Dismukes Well No. 85 as this interval includes the entire Austin Chalk formation.

Sabco Operating recently completed the Sabco Elaine AC No. 99, No. 98, No. 100 and the No.101. The Sabco Elaine AC No. 99 had an initial potential of 28 BOPD, 0 MCFG and 143 BWPD. The Sabco Elaine AC No. 98 was being acid fracture stimulated at the time of the hearing. The low initial potential of Well No. 99 demonstrates the need for 0' between well spacing. The Elaine Field is located in a bowl shaped structure that is surrounded by major faults with about 100' to 200' vertical displacements. Sabco Operating is attempting to recover oil that is believed to exist near numerous faults mapped throughout the field. Sabco Operating believes a network of smaller fractures exist near the major faults. These smaller fractures are believed to contain producible oil. The fracture networks are found near major faults in numerous other Austin Chalk fields throughout the State.

Sabco Operating believes the initial set of wells were drilled too far away from the faults to encounter sufficient fractures containing producible oil. The wells were drilled 500 feet to 700 feet from the fault zone and about 1,200 feet between each well. Sabco Operating now believes it needs to drill about 200 feet from the fault and 500 feet between each well. The 467'/0' spacing will allow Sabco maximum flexibility to drill additional wells at optimum locations near faults and nearer to future wells. The additional wells are needed to effectively drain the remaining oil reserves. Sabco plans to drill up to 30 wells in the field. Without the 0' between well spacing, Sabco predicts it will need 28 Rule 37 exceptions to implement its proposed drilling plan. With limited production data from past and current wells, Sabco requests that the drilling units remain at 40 acres.

Notice of the subject application was published in the *The Carrizo Springs Javelin*, a newspaper of general circulation in Dimmit County, for four consecutive weeks starting on January 11, 2012 due to the returned notices received.

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. Notice of the subject application was published in the *The Carrizo Springs Javelin*, a newspaper of general circulation in Dimmit County, for four consecutive weeks starting on January 11, 2012 due to the returned notices received.
2. Statewide field rules for the Elaine (Austin Chalk) Field provide for 467'-1,200' well spacing, 40 acre drilling units and allocation based on 100% per well.
3. The Elaine (Austin Chalk) Field was discovered in 1977 at a depth of 6,309 feet. Cumulative production from the field is approximately 7,180 BO.
4. The Elaine (Austin Chalk) Field should be designated as the entire correlative interval between 5,790 feet to 6,490 feet as shown on the Triple Combo Log of the Tesoro Petroleum's E.L. Dismukes Well No. 85.
5. Sabco Operating recently completed the Sabco Elaine AC No. 99, No. 98, No. 100 and the No.101. The Sabco Elaine AC No. 99 had an initial potential of 28 BOPD, 0 MCFG and 143 BWPD.
6. The Elaine (Austin Chalk) Field is in a bowl shaped structure that is surrounded by major faults with about 100 foot to 200 foot vertical displacement.
7. The Elaine (Austin Chalk) Field is believed to have a network of smaller fractures near the major faults that contain producible oil.
8. Four wells were recently drilled 500 feet to 700 feet from the fault zone and about 1,200 feet between each well.
9. The low initial potential of Well No. 99 demonstrates the need for 0' between well spacing. Sabco Operating now believes it needs to drill about 200 feet from the fault zone and 500 feet between each well to intercept the smaller fractures.
10. Sabco plans to drill up to 30 wells in the field. Without the 0' between well

spacing, Sabco predicts it will need 28 Rule 37 exceptions to implement its proposed drilling plan.

11. The proposed 467'0' well spacing will allow maximum flexibility in locating wells near fault zones.

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. Adopting field rules for the Elaine (Austin Chalk) Field is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend that field rules for the Elaine (Austin Chalk) Field be adopted to provide for 467'-0' well spacing.

Respectfully submitted,

Andres J. Trevino P.E.
Technical Examiner

James Doherty
Hearings Examiner