

THE APPLICATION OF SQUARE MILE ENERGY, LLC TO ADOPT FIELD RULES FOR THE TRAIN (HACKBERRY) FIELD, JEFFERSON COUNTY, TEXAS

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

DATE OF HEARING: September 10, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

James Bostic
Kerry Bonner

Square Mile Energy, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Square Mile Energy, LLC ("Square Mile") requests that Field Rules be adopted for the Train (Hackberry) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 8,178 feet to 8,258 feet as shown on the log of the Square Mile Energy, LLC - G. D. Clubb Lease, Well No. 1 (API No. 42-245-32441);
2. 660'-1,320' well spacing;
3. 80 acre oil units with 40 acre tolerance;
4. Allocation based on 100% acreage with a top allowable based on the 1965 Yardstick Allowable.

Square Mile also requests that the over-production on the G. D. Clubb Lease, Well No. 1, be canceled. This application was unopposed and the examiner recommends that the Field Rules proposed by Square Mile be adopted for the Train (Hackberry) Field.

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DISCUSSION OF EVIDENCE

The Train (Hackberry) Field was discovered in June 2006 at a depth of approximately 8,150 feet. The field operates under Statewide Rules. Square Mile is the only operator in the field and there is only one producing oil well listed on the proration schedule. Cumulative production from the field through June 2010 is 220.0 MBO and 117.4 MMCFG.

There is currently no defined field interval for the field. Square Mile requests that the field be defined as the correlative interval from 8,178 feet to 8,258 feet as shown on the log of the Square Mile Energy, LLC - G. D. Clubb Lease, Well No. 1 (API No. 42-245-32441), J.C. Lawhon Survey, Abstract 35, Jefferson County, Texas. This interval includes the productive portion of the Hackberry formation.

The Train (Hackberry) Field is a one well field that was discovered by a 3-D seismic survey. The field is a low relief structure bounded on the west and east by faults and no additional development is anticipated. From the well logs on the G. D. Clubb Lease, Well No. 1, Square Mile calculated a 28% porosity, a 38% water saturation, a net pay thickness of 20 feet, and an original oil in place of 2.8 MMBO. The primary drive mechanisms are a solution gas drive and a moderate water drive.

Square Mile requests 660'-1,320' well spacing and 80 acre oil units with 40 acre tolerance. Using a 13.8% annual oil decline rate, Square Mile projected an ultimate recovery of 450 MBO for the G. D. Clubb Lease, Well No. 1. This ultimate recovery results in a recovery factor of 16% of the original oil in place. The calculated drainage area for the well was 136 acres.

Square Mile requests that the allocation formula be based on 100% acres with a top allowable based on the 1965 Yardstick Allowable. Through June 2010, the G. D. Clubb Lease, Well No. 1, is over-produced by 3,983 BO. Square Mile also requests that the over-production be canceled.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Train (Hackberry) Field was discovered in June 2006 at a depth of approximately 8,150 feet. The field operates under Statewide Rules.
3. Square Mile is the only operator in the field and there is only one producing oil well listed on the proration schedule.
4. The Train (Hackberry) Field should be defined as the correlative interval from

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8,178 feet to 8,258 feet as shown on the log of the Square Mile Energy, LLC - G. D. Clubb Lease, Well No. 1 (API No. 42-245-32441). This interval includes the productive portion of the Hackberry formation.

5. The Train (Hackberry) Field is a one well field that was discovered by a 3-D seismic survey. The field is a low relief structure bounded on the west and east by faults and no additional development is anticipated. The primary drive mechanisms are a solution gas drive and a moderate water drive.
6. The ultimate recovery of 450 MBO for the G. D. Clubb Lease, Well No. 1, results in a recovery factor of 16% of the original oil in place. The calculated drainage area for the well is 136 acres.
7. Well Spacing of 660'-1,320' and 80 acre oil units is appropriate for a one well field.
8. Allocation based on 100% acres with a top allowable based on the 1965 Yardstick Allowable is a reasonable formula which will protect correlative rights and meet statutory requirements.
9. Through June 2010, the G. D. Clubb Lease, Well No. 1, is over-produced by 3,983 BO.

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 Train (Hackberry) Field is necessary to prevent waste, protect correlative rights and promote development of the field.
4. Cancellation of the over-production on the G. D. Clubb Lease, Well No. 1, will not cause waste and will not harm correlative rights.

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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 for the Train (Hackberry) Field and cancel the over-production on the G. D. Clubb Lease, Well No. 1, as proposed by Square Mile Energy, LLC.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner