

April 30, 2007

**OIL AND GAS DOCKET NO. 7C-0251162**

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**APPLICATION OF HENRY PETROLEUM LP TO AMEND THE FIELD RULES FOR THE SHEEP MOUNTAIN (CONSOLIDATED) FIELD, CROCKETT AND UPTON COUNTIES, TEXAS**

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**HEARD BY:** Thomas H. Richter, P.E.

**DATE OF HEARING:** April 30, 2007

**APPEARANCES:**

Greg Cloud

**REPRESENTING:**

Henry Petroleum LP

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unopposed application of Henry Petroleum for the Commission to amend field rules as adopted by Order No. 7C-0248949 issued effective December 5, 2006 for the Sheep Mountain (Consolidated) Field which provide for:

1. The entire combined correlative interval from 6,436' to 9,684' as shown on the Type Log of the Henry Petroleum, Univ5 BFU3 Lease Well No.7, Sect. 3, Blk 5, University Lands Survey, Upton County, Texas, is designated as the Sheep Mountain (Consolidated) Field.
2. Minimum well spacing of 467'/1,320' (leaseline/between well);
3. 160 acre proration unit density with 80 acre tolerance and maximum diagonal of 4,500'; and
4. Allocation formula of 95% acreage and 5% of the top allowable.

Henry Petroleum proposes that optional 80 acre density be adopted and other rules remain unchanged. The examiner recommends approval of the application. The field rules will be restated in the entirety to clarify Special Field Rule No. 4.

**DISCUSSION OF THE EVIDENCE**

The Sheep Mountain (Consolidated) Field was created by combining the Block 4 (Penn) and Sheep Mountain (Wolfcamp) Fields by Order No. &C-0248949 effective December 5, 2006. The field is governed by Special Field Rules that provide for minimum well spacing of 467'/1320', 160 acre density and an allocation formula based on 95% acreage and 5% of the top allowable for a well

in the field. There are three operators in the field and 16 wells.

Optional proration unit density of 80 acres are necessary to provide for the effective and efficient depletion of the reservoir. The productive intervals of the field are the Spraberry/Leonard, Dean, Wolfcamp and Pennsylvanian. Three wells in the field are capable of draining at least 160 acres. The ultimate recoveries for the wells are 96 MBO, 111 MBO and 285 MBO. The drainage areas are respectively 250 acres, 185 acres and 176 acres. The ultimate recoveries for eight other wells range from 2,200 BO 40,000 BO and substantiate that greater well density is necessary to recover the reserves contained within the reservoir.

### **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 Sheep Mountain (Consolidated) Field was created by combining the Block 4 (Penn) and Sheep Mountain (Wolfcamp) Fields by Order No. 7C-0248949 effective December 5, 2006.
  - a. The field is governed by Special Field Rules that provide for minimum well spacing of 467'/1320', 160 acre density and an allocation formula based on 95% acreage and 5% of the top allowable for a well in the field.
  - b. There are three operators in the field and 16 wells.
4. Optional proration unit density of 80 acres are necessary to provide for the effective and efficient depletion of the reservoir.
  - a. Three wells in the field are capable of draining at least 160 acres and the ultimate recoveries for the wells are 96 MBO, 111 MBO and 285 MBO.
  - b. The drainage areas are respectively 250 acres, 185 acres and 176 acres.
  - c. The ultimate recoveries for eight other wells range from 2,200 BO 40,000 BO and substantiate that greater well density is necessary to recover the reserves contained within the reservoir.
5. The entire combined correlative interval from 6,436' to 9,684' as shown on the Type Log of the Henry Petroleum, Univ5 BFU3 Lease Well No.7, Sect. 3, Blk 5, University Lands Survey, Upton County, Texas, should be designated as the Sheep Mountain (Consolidated) Field.
6. Minimum well spacing of 467'/1320' (leaseline/between well) will provide uniform

flexibility in locating wells in the subject consolidated field.

7. The two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The allocation formula based on 5% of top allowable and 95% acreage satisfies this requirement.

**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 of 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 amended 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 amended field rules for the Sheep Mountain (Consolidated) Field.

Respectfully submitted,

Thomas H. Richter, P.E.  
Technical Examiner  
Office of General Counsel