

September 21, 2007

OIL AND GAS DOCKET NO. 7C-0252928

APPLICATION OF FIML NATURAL RESOURCES, LLC FOR AMENDING THE FIELD RULES FOR THE ADAMS-BAGGETT RANCH (CANYON SD.) FIELD, CROCKETT COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: August 28, 2007

APPEARANCES:

Michael McElroy, attorney
Rick Johnston

REPRESENTING:

FIML Natural Resources, LLC

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of FIML Natural Resources for the Commission to consider amending the field rules for the Adams-Baggett Ranch (Canyon Sd.) Field as adopted in Order No. 7C-0239824 effective October 5, 2004, as amended, which currently provide for:

1. Minimum well spacing of 330'/660' (lease line/between well),
2. 160 acre gas proration units with 10% tolerance and maximum diagonal of 4,500'; and optional 20 acre units with a maximum diagonal of 1,500'; and
3. 100% acreage allocation formula and continuation of suspension of the allocation formula.

FIML Natural Resources proposes the following:

1. Designation of the field as the correlative interval from 4,833 feet to 5,251 feet as shown on the log of the FIML's J.M. Baggett Well No. 502B;
2. Minimum well spacing of 165'/330' (lease line/between well),
3. 160 acre gas proration units with 10% tolerance and maximum diagonal of 4,500'; and optional 10 acre units with a maximum diagonal of 1,100'; and
4. 100% acreage allocation formula and continuation of suspension of the allocation formula. (No Change)

This application was unopposed and the examiner recommends that the field rules for the Adams-Baggett Ranch (Canyon Sd.) Field be amended as requested.

DISCUSSION OF THE EVIDENCE

The Adams-Baggett Ranch (Canyon Sd.) Field was discovered in 1969 at a depth of 5,089' subsurface depth. The top and base of the Canyon Sand is found between 4,833 feet and 5,251 feet in the FIML 's, J.M. Baggett Well No. 502B. The field is governed by special field rules as adopted by Order No. 7C-0239824 effective October 5, 2004. This is a multi-operator field with over 320 wells. FIML Natural Resources operates approximately 75% of the wells. Cumulative production from the field is 43.9 BCF of gas and 14,450 barrels of condensate. Current production is ± 200 MMCF/M.

Optional 10 acre density is necessary to provide for the efficient and effective depletion of the subject field. Drainage area analysis was performed on 33 wells across the entire field area. Volumetric analysis determined the recoverable gas per acre. The calculated drainage area ranged from 2 acres to 52 acres. The average was 21.5 acres per well. The base 160 acre gas unit density is still warranted as there are wells that show greater drainage areas of over 100 acres.

The proposed minimum well spacing, 165'/330' (leaseline/between well), will provide for additional flexibility in locating new in-fill wells.

Continuation of the 100% acreage allocation formula will provide for the protection of correlative rights pursuant to State Statutes. Continuation of suspension of the allocation formula is warranted as the proposed field rules will not change the demand for gas from the subject field.

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 Adams-Baggett Ranch (Canyon Sd.) Field was discovered in 1969 at a depth of 5,089' subsurface depth.
 - a. The field is governed by special field rules as adopted by Order No. 7C-0239824 effective October 5, 2004, that provide for: minimum well spacing of 330'/660' (lease line/between well), 160 acre gas proration units with 10% tolerance and maximum diagonal of 4,500'; and optional 20 acre units with a maximum diagonal of 1,500'; and an allocation formula based on 100% acreage. The allocation formula is currently suspended effective April 1, 2002.
 - b. This is a multi-operator field with over 320 wells.
4. The proposed correlative interval for the field is from 4,833 feet and 5,251 feet as

shown on the log of the FIML's, J.M. Baggett Well No. 502B. This interval includes the top and base of the Canyon Sand.

5. Optional 10 acre gas proration unit density is necessary to provide for the efficient and effective depletion of the subject field.
 - a. Drainage area analysis was performed on 33 wells across the entire field area.
 - b. The calculated drainage area ranged from 2 acres to 52 acres with an average of 21.5 acres per well.
6. The base 160 acre gas unit density is still warranted as there are wells that show greater drainage areas.
7. The proposed minimum well spacing, 165'/330' (leaseline/between well), will provide for additional flexibility in locating new in-fill wells.
8. Continuation of the 100% acreage allocation formula will provide for the protection of correlative rights pursuant to State Statutes.
9. Continuation of suspension of the allocation formula is warranted as the proposed field rules will not change the demand for gas from the subject field.

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 their effectiveness 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.
5. Continued suspension of the allocation formula is pursuant to Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed amended field rules for the Adams-Baggett Ranch (Canyon Sd.) Field and continuation of suspension of the allocation formula.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner
Office of General Counsel