

OIL AND GAS DOCKET NO. 7C-0254870

THE APPLICATION OF HORIZON EXPLORATION SERVICES TO ADOPT FIELD RULES FOR THE FALSE ARROWHEAD (KING SAND) FIELD, RUNNELS COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E., Technical Examiner

Hearing Date: January 16, 2008

Appearances:

Jim Levy

Representing:

Horizon Exploration Services

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The field rules (Statewide Rules) for the False Arrowhead (King Sand) Field are summarized as follows:

1. 467'-1,200' well spacing;
2. 40 acre oil units with 20 acre tolerance;
3. Allocation based on 100% per well.

Horizon Exploration Services requests that field rules be adopted as follows :

1. Designation of the field as the correlative interval from 2,800 feet to 2,850 feet as shown on the log of the Pendulum No. 1;
2. 330'-500' well spacing;
3. 40 acre units with optional 20 acre density;
4. Allocation based on 100% acreage.

Horizon originally requested well spacing of 330'/500' and 20 acre drilling units. During the hearing, Horizon agreed to designate an interval for the field and optional units. This application was unopposed and the examiner recommends that the field rules for the False Arrowhead (King Sand) Field be amended as requested.

DISCUSSION OF EVIDENCE

The False Arrowhead (King Sand) Field was discovered in 1993 at a depth of approximately 2,842 feet. Cumulative production from the field is approximately 155,299 BO. As of August 2007, there are two active oil wells and one disposal well in the field which in total produce about 4 BOPD, 4 MCFD and 65 BWPD. There is no other operators in the field.

The first two wells completed in the field were good producers (currently producing 2 BOPD each, initial potential of 115 BOPD and 118 BOPD) with cumulative production of 60,000 and 85,000 BO as they are believed to be completed in a reservoir with a strong water drive. A third well, (Pendulum "A" No. 3) was completed at the edge of the reservoir had a cumulative production of only 5-6,000 BO, draining less than 20 acres. The well was later converted to an injection well. Horizon needs to drill an additional well in the northwest corner of the sand channel to recover "attic" oil left undrained as the oil/ water contact reached the nearest producing well, the Pendulum No. 1. Two other fields in the area, the Paul Thomas (3000 Sand) and the Fennell (King Sand) are producing from the King Sand and have 20 acre drilling unit density.

The False Arrowhead (King Sand) Field is a narrow (approximately 1,200 feet wide) channel sand reservoir. Horizon requests 330'-500' well spacing for the False Arrowhead (King Sand) Field so that it can place wells in optimum locations within the narrow channel sand reservoir and the changing oil/water contact.

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.
2. Field rules for the False Arrowhead (King Sand) Field provide for 467'-1,200' well spacing, 40 acre oil units and allocation based on 100% per well.
3. The False Arrowhead (King Sand) Field was discovered in 1993 and cumulative production from the field is approximately 155,299 BO.
4. Current production from the 2 active oil wells in the field is approximately 4 BOPD, 4 MCFD and 65 BWPD.

5. The False Arrowhead (King Sand) Field produces from the King Sand, a narrow channel sand deposit.
6. The Pendulum "A" No. 3 has drained less than 20 acres.
7. Development of the field on 40 acre units with optional 20 acre density will allow flexibility in well locations within the narrow channel sand reservoir to maximize recovery from the field.
8. The Paul Thomas (3000 Sand) and the Fennell (King Sand) are producing from the King Sand in the area and have 20 acre drilling unit density
9. The proposed 330'-500' well spacing will accommodate development on 20 acres.

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 False Arrowhead (King Sand) Field is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that field rules for the False Arrowhead (King Sand) Field be adopted to provide for 40 acre units with optional 20 acre density and 330'-500' well spacing.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner