

OIL AND GAS DOCKET NO. 7C-0257310

THE APPLICATION OF FIML NATURAL RESOURCES LLC TO AMEND THE FIELD RULES FOR THE COOS (PENN STRAWN) FIELD, CROCKETT COUNTY, TEXAS

Heard by: Donna K. Chandler on July 1, 2008

Appearances:

Mike McElroy
Rick Johnston

Representing:

FIML Natural Resources LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Coos (Penn Strawn) Field were adopted in Oil and Gas Docket No. 7C-94,607, effective May 21, 1990. The rules were amended on January 27, 1992 by Final Order No. 7C-96,708. The rules in effect for the field are summarized as follows:

1. 660'-1,320' well spacing;
3. 160 acre gas units;
4. Allocation based on 100% acreage.

FIML Natural Resources LLC requests that the field rules be amended to provide for a designated interval, 467'-1,200' well spacing, optional 80 acre density and allocation based on 75% acreage and 25% deliverability, with AOF status.

This application was unopposed and the examiner recommends that the field rules for the Coos (Penn Strawn) Field be amended as proposed by FIML.

DISCUSSION OF EVIDENCE

The Coos (Penn Strawn) Field was discovered in 1987 at a depth of approximately 10,800 feet. The field is a non-associated gas field with 2 operators and 3 wells on the current proration schedule. FIML has recently completed its third well, which is not yet on the schedule. Cumulative production from the field is 2.4 BCF of gas.

The discovery well for the field was the Barnes No. 1, currently operated by Joe McGuffin Jr. This well has produced 1.38 BCF of gas and is expected to drain about 130 acres, based on prior calculations.

FIML completed two wells in 2007, the Kenley No. 3183 and the Kenley No. 2178. Estimated ultimate recovery for the Kenley No. 2178 is 1.079 BCF and estimated ultimate recovery for the Kenley No. 3183 is 2.042 BCF. The calculated drainage area for the No. 2178 is 72 acres, based on 5.5% average porosity, 15% average water saturation and 52.5 feet of pay. The calculated drainage area for the Kenley No. 3183 is 155.6 acres, based on 5.8% average porosity, 33% average water saturation and 55 feet of pay.

The Strawn interval is approximately 600 feet thick. FIML requests that the field be designated as the correlative interval from 10,849 feet to 11,448 feet as shown on the log of the Kenley No. 3183. This interval is made up of several separate sands and a two factor allocation formula is necessary to meet statutory requirements. FIML requests that allocation formula be based on 75% acreage and 25% deliverability. In addition, FIML requests that the allocation formula for the field be suspended, as there is a market for all gas produced from the field.

FIML is requesting 467'-1,200' well spacing in conjunction with the 80 acre optional density. This spacing will provide flexibility in locating wells on this northwest-southeast trending porosity development.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Coos (Penn Strawn) Field was discovered in 1987 at a depth of approximately 10,800 feet. The field is a non-associated gas field with 4 producing wells.
3. Rules currently in effect for the field provide for 660'-1,320' well spacing, 160 acre density, and allocation based on 100% acreage.
4. An optional 80 acre density rule is appropriate for the field.
 - a. The discovery well for the field, the Barnes No. 1, is expected to drain about 130 acres, based on prior calculations.
 - b. The calculated drainage area for the Kenley No. 2178 is 72 acres.
 - c. The calculated drainage area for the Kenley No. 3183 is 155.6 acres.

5. The Coos (Penn Strawn) Field should be designated as the correlative interval from 10,849 feet to 11,448 feet as shown on the log of the Kenley No. 3183.
6. The requested 467'-1,200' well spacing is necessary to provide flexibility in locating additional wells on the porosity trend.
7. Allocation based on 75% acreage and 25% deliverability meets statutory requirements.
8. There is a market for all gas produced from the field.

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. Amending the field rules for the Coos (Penn Strawn) Field is necessary to prevent waste, protect correlative rights and promote development of the field.
4. Suspension of the allocation formula is appropriate pursuant to Rule 31(j).

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission amend the field rules for the Coos (Penn Strawn) Field as proposed by FIML Natural Resources LLC.

Respectfully submitted,

Donna K. Chandler
Technical Examiner