

THE APPLICATION OF STRAND ENERGY, LC TO AMEND FIELD RULE NO. 2 FOR THE LUCKY MAG (CONSOLIDATED) FIELD, IRION COUNTY, TEXAS

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

HEARING DATE: June 24, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale E. Miller

Strand Energy, LC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Lucky Mag (Consolidated) Field were adopted in Final Order No. 7C-0262268, effective August 18, 2009. The Field Rules in effect for the field are summarized as follows:

1. Designated interval from 3,065 feet to 6,620 feet as shown on the log of the Strand Energy, LC - Hamilton Lease, Well No. 6 (API No. 42-235-34251);
2. 467'-1,200' well spacing;
3. 80 acre oil units with optional 40 acre density;
4. Allocation based on 95% acres and 5% per well, an oil allowable based on the 1965 Yardstick Allowable and an increased net gas-oil ratio authority with a casinghead gas limit of 500 MCFGPD.

Strand Energy, LC ("Strand") requests that Field Rule No. 2 be amended to provide for no between well spacing requirement between vertical and horizontal wells.

The application was unopposed and the examiner recommends that Field Rule No. 2 for the Lucky Mag (Consolidated) Field be amended, as proposed by Strand.

DISCUSSION OF EVIDENCE

The Lucky Mag (Consolidated) Field was created in August 2009 after the

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consolidation of five Lucky Mag Fields. There are 47 producing oil wells and five operators carried on the proration schedule. Field Rules currently in effect for the field provide for a designated interval from 3,065 feet to 6,620 feet, 467'-1,200' well spacing, 80 acre oil units with optional 40 acre density and allocation based on 95% acres and 5% per well. Cumulative production from the field through May 2011 is 247.0 MBO and 2.9 BCFG.

Strand is proposing to drill infill horizontal wells and is requesting to eliminate the between well spacing requirement between vertical and horizontal wells. Strand argues that the proposed spacing change is necessary to allow drilling of horizontal wells which may have to be placed very near existing vertical wells in some cases. A no between well spacing limitation between vertical and horizontal wells will promote the efficient and effective development of the remaining hydrocarbons.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Lucky Mag (Consolidated) Field was created in August 2009 after the consolidation of five Lucky Mag Fields. There are 47 producing oil wells and five operators carried on the proration schedule.
3. Field Rules currently in effect for the field provide for a designated interval from 3,065 feet to 6,620 feet, 467'-1,200' well spacing, 80 acre oil units with optional 40 acre density and allocation based on 95% acres and 5% per well.
4. A no between well spacing limitation between vertical and horizontal wells is appropriate for the field.
 - a. The proposed spacing change is necessary to allow drilling of horizontal wells which may have to be placed very near existing vertical wells in some cases.
 - b. A no between well spacing limitation between vertical and horizontal wells will promote the efficient and effective development of the remaining hydrocarbons.

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.

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3. Amending Field Rule No. 2 for the Lucky Mag (Consolidated) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend Field Rule No. 2 for the Lucky Mag (Consolidated) Field, as proposed by Strand.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner