

April 25, 2006

OIL AND GAS DOCKET NO. 08-0246915

APPLICATION OF MINIHAN OIL AND GAS LTD TO AMEND THE FIELD RULES FOR THE MARTIN (SAN ANDRES) FIELD, ANDREWS COUNTY, TEXAS

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

DATE OF HEARING: April 25, 2006

APPEARANCES:

Dick Marshall, attorney
Darrell Christiansen (via phone)

REPRESENTING:

Minihan Oil & Gas LTD.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Minihan Oil & Gas to amend the field rules as adopted in Commission Memo Dated March 16, 1955, effective March 18, 1955, for the Martin (San Andres) Field that currently provide for the following:

1. Minimum well spacing of 467'/933' (lease line/between well);
2. 40 acre proration units plus 20 acre tolerance and a maximum diagonal of 2,100';
3. An allocation formula based on 75% acreage and 25% per well.
4. MER of 93 BOPD

Minihan Oil & Gas proposes the following:

1. Minimum well spacing of 330'/660';
2. 40 acre units plus 20 acre tolerance and a maximum diagonal of 2,100' and optional 20 acre density and a maximum diagonal of 1,500'; and
3. & 4. No change.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Martin (San Andres) Field was discovered in 1945 at 4300' subsurface depth. Special field rules were adopted by Commission Memo Dated March 16, 1955, effective March 18, 1955.¹ There are three operators in the field and three wells. Minihan Oil & Gas² is not a listed operator in the field but does operate wells in the Martin (Consolidated) Field which are downhole commingled in the Martin (San Andres) Field.

Optional 20 acre density is necessary to provide for the efficient and effective depletion of the reservoir. Cumulative production is 2.93 million barrels of oil. Volumetric analysis and production decline analysis determined the recoverable oil-in-place for 20 acres is 12,300 BO. The Phillips University "O" Well No. 2 was completed in early 2005 and has cumulative production of 5,100 BO and 5 MMCF of gas and is currently producing \pm 17 BOPD (pumping). The Phillips University "O" Well No. 3 was completed in early 2005 and has cumulative production of 6,300 BO and 8.5 MMCF of gas and is currently producing \pm 7 BOPD (pumping).

Minihan proposes that "gas" rules also be adopted. The Minihan Oil & Gas, University Southern Minerals Well No. 1 was completed in early 2005 and has cumulative production of 1,700 BO and 87.4 MMCF of gas and is currently producing \pm 183 MCFD and 2 BOPD. It is believed that this well is completed in the associated gas cap and should be classified as a gas well (GOR is 87,141:1) though this determination has not been made by the Commission as of the time of the hearing. Volumetric analysis and production decline analysis determined the recoverable gas-in-place for 20 acres is 473 MMCF. It is therefore proposed that gas unit density of 40 acres and optional 20 acres will provide for the depletion of the gas cap.

The proposed minimum well spacing, 330'/660' (leaseline/between well) is the minimum well spacing necessary to allow flexibility in locating a well on 20 acre units. The proposed rules are identical to the rules in effect for the Martin (Consolidated) Field which is below the subject field and includes the Glorieta, Clearfork and Wichita-Albany Formations. There are numerous possible re-completions between the San Andres and the Consolidated field.

EXAMINER'S OPINION

The adoption of gas rules at this time is not appropriate as the believed gas well has not been re-classified by the operator nor has the Commission made such determination. As the "oil" rules are being proposed, if a well is eventually classified, the spacing and density rules for the oil wells would automatically apply to the gas wells (the opposite is not true). In addition, the field would be classified as Associated-49(b).

¹ Examiner was unable to locate a Final Order nor was an order located in the R.W. Byram Reports.

² Minihan Oil & Gas is a wholly owned subsidiary of Forest Oil.

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. Minihan Oil & Gas has standing as it does have wells that are downhole commingled in the Martin (San Andres) Field but are designated in another field for proration purposes.
2. There was no protest at the call of the hearing.
3. The Martin (San Andres) field was discovered in 1945 at 4300' subsurface depth. Special field rules were adopted by Commission Memo Dated March 16, 1955, effective March 18, 1955.
4. Optional 20 acre density is necessary to provide for the efficient and effective depletion of the reservoir. Cumulative production is 2.93 million barrels of oil.
 - a. Volumetric analysis and production decline analysis determined the recoverable oil-in-place for 20 acres is 12,300 BO.
 - b. The Phillips University "O" Well No. 2 was completed in early 2005 and has cumulative production of 5,100 BO and 5 MMCF of gas and is currently producing ± 17 BOPD (pumping).
 - c. The Phillips University "O" Well No. 3 was completed in early 2005 and has cumulative production of 6,300 BO and 8.5 MMCF of gas and is currently producing ± 7 BOPD (pumping).
5. The proposed minimum well spacing, 330'/660' (leaseline/between well) is the minimum well spacing necessary to allow flexibility in locating a wells on 20 acre units.
 - a. The proposed rules are identical to the rules in effect for the Martin (Consolidated) Field which is below the subject field and includes the Glorieta, Clearfork and Wichita-Albany Formations.
 - b. There are numerous possible re-completions between the San Andres and the Consolidated 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 for field rules, a determination of their effectiveness and appropriate actions are 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 proposed amended field rules for the Minihan (San Andres) Field.

Respectfully submitted,

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