

THE APPLICATION OF SANDRIDGE ENERGY, INC. TO AMEND FIELD RULES FOR THE PINON (MULTIPAY) FIELD, PECOS COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on June 29, 2007

Appearances:

Bill Spencer
Cary McGregor
Jeremy McKee

Representing:

Sandridge Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sandridge Energy, Inc. requests that field rules be amended for the Pinon (Multipay) Field. Originally the hearing was for a field consolidation of the Elsinore (Multipay) Field and the Abrojo (Multipay) Field and amend the field rules for the Pinon (Multipay) Field. At the hearing Sandridge removed the Elsinore (Multipay) Field and the Abrojo (Multipay) Field from the proposed field consolidations.¹ The Abrojo (Multipay) Field was consolidated into the Pinon (Overthrust) Field in Order No. 08-0251625 issued effective June 26, 2007. Special field rules for the Pinon (Multipay) Field were adopted by Order No. 08-0242875 issued effective July 22, 2005, as amended and currently provide for :

1. Designation of the field as the correlative interval from 10,800 feet to 11,700 feet as shown on the log of the Longfellow 600-3 Well No. 6;
2. 660' - 2,640' well spacing;
3. 640 acre gas units with 10% tolerance and a maximum diagonal of 8,500 feet; optional 320 acre units with a maximum diagonal of 6,500 feet;
4. Allocation based on 95% acreage and 5% deliverability.

Sandridge Energy proposes the field rules be amended as follows:

1. Designation of the field as the correlative interval from 11,043 feet to 11,700 feet as shown on the log of the Riata Energy's Longfellow 600-3 Well No. 6;

¹ The Notice of Hearing listed the Elsinore (Multipay) and the Abrojo (Multipay) Fields as fields proposed for consolidation.

2. 660' - 1,320' well spacing;
3. 640 acre gas units with 10% tolerance and a maximum diagonal of 8,500 feet; optional 320 acre units with a maximum diagonal of 6,500 feet (No Change);
4. Allocation based on 95% deliverability and 5% acreage and the allocation formula remain suspended.

At the hearing Sandridge requested that the proration diagonal requirement and the filing of proration unit plats not be required as acreage is not part of the allocation formula. This application was unopposed and the examiner recommends adoption of the field rules proposed by Sandridge Energy, Inc. for the Pinon (Multipay) Field.

DISCUSSION OF EVIDENCE

The Pinon (Multipay) Field was discovered in February 2004 upon completion of the Longfellow 600-3 Well No. 6 with perforations between 10,950 feet and 11,255 feet. Riata completed a second well in the field, the Allison No. 4701, also in February 2004. The Allison No. 4701 is producing from an openhole section between 10,510 and 11,004 feet.

The discovery well for the field produced only a small volume (2.3 MMCF) of gas from the field and is now inactive. The Allison No. 4701 has produced 10.5 BCF of gas through June 2007. Current production from this well is about 11.5 MMCFD. Recoverable reserves beneath 640 acres are 17.7 BCF, based on 5% average porosity, 35% average water saturation, and 87.3% recovery. Based on pressure data, Sandridge believes the No. 4701 may recover over 28 BCF of gas. There is a total of five wells in the Pinon (Multipay) Field, three active and two inactive wells. The geology is complex in this region and well productivity is highly variable from well to well.

Well spacing a minimum of 660 feet from lease lines and 1,320 feet between wells will provide additional flexibility in locating future wells and re-entering and deepening existing wells. Additionally there are numerous canyons which make locating wells difficult.

Sandridge proposes to change to the correlative interval for the field to 11,043 feet to 11,700 feet to include the Unthrusted Woodford Shale, the Fusselman and the top 150 feet of the Ellenburger. Sandridge requests that an allocation formula be adopted based on 95% deliverability and 5% per well, which will meet statutory requirements and the allocation formula remain suspended.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.

2. The Pinon (Multipay) Field was discovered in February 2004 upon completion of the Longfellow 600-3 No. 6. The Allison No. 4701 was also completed in February 2004.
3. Field rules providing for 640/optional 320 acre density are appropriate for the Pinon (Multipay) Field.
 - a. The estimated ultimate recovery from the Allison No. 4701 is over 28 BCF of gas.
 - b. The recoverable reserves beneath 640 acres are estimated to be 17.7 BCF of gas.
 - c. The Longfellow 600-3 No. 6 was a much poorer producer that had a cumulative production of 2.3 MMCF before becoming inactive.
4. The Pinon (Multipay) Field should be designated as the entire correlative interval between 11,043 feet and 11,700 feet as shown on the log of the Longfellow 600-3 No. 6.
5. Well spacing a minimum of 660 feet from lease lines and 1,320 feet between wells will provide the additional flexibility needed to drill additional wells and/or re-enter and deepen existing wells in this geologically complex area.
6. Allocation based on 95% deliverability and 5% per well is a reasonable method of allocation which will protect the correlative rights of mineral owners in the field and meet statutory requirements .

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 Pinon (Multipay) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission amend the field rules for the Pinon (Multipay) Field as proposed by Sandridge Energy, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner