

THE APPLICATION OF HENRY PETROLEUM LP TO EXPAND THE CORRELATIVE INTERVAL FOR THE SALLIE ANN (SPRABERRY-WOLFCAMP) FIELD, ECTOR AND MIDLAND COUNTIES, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Date of Hearing: May 2, 2008

Appearances:

Greg Cloud

Representing:

Henry Petroleum LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Henry Petroleum LP requests that the correlative interval for the Sallie Ann (Spraberry-Wolfcamp) Field be expanded to include the Clearfork pay zone. Henry proposes that the entire correlative interval from 7,050 feet to 10,097 feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease Well No. 1, (API No. 42 135 38774), be designated as a single reservoir for proration purposes and be designated as the Sallie Ann (Spraberry-Wolfcamp) Field.

This application was unopposed and the examiner recommends approval of Henry's request to expand the correlative interval for the field.

DISCUSSION OF THE EVIDENCE

The Sallie Ann (Spraberry-Wolfcamp) Field was discovered in December 2004 upon completion of the Sallie Lease Well No. 2301. In Docket No. 08-0242896, the Commission signed a Final Order on July 22, 2005, adopting a correlative interval for the field, 660'-1,320 well spacing, 160 acre density with optional 80 acre units and allocation based on 75% acreage and 25% potential.

The field is currently defined as the correlative interval from 7,864 feet to 10,097 feet as shown on the log of the Sallie Lease Well No. 2301. Twenty two wells have been completed in the field and Henry operates fourteen of the wells. There are four other operators listed on the proration schedule for the field. Through February 2008, the field has produced 829 MBO and 930 MMCFG.

To include the Clearfork pay zone, the Sallie Ann (Spraberry-Wolfcamp) Field should

be designated as the correlative interval from 7,050 feet to 10,097 feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease Well No. 1, (API No. 42 135 38774). Expansion of the correlative interval for the field will not cause waste because the interval includes zones which all have similar reservoir and fluid properties. In addition, this is the same correlative interval that is contained in the Spraberry (Trend Area) Field located to the east of the Sallie Ann (Spraberry-Wolfcamp) Field.

A Clearfork only completion is only economic when commingled with the other producing intervals in the wellbore. Henry estimates the contribution by zone to be 10% from the Clearfork interval, 50% from the Spraberry interval, 20% from the Dean interval and 20% from the Wolfcamp interval.

Expansion of the correlative interval for the field to include the Clearfork pay zone will maximize ultimate recovery by lowering the economic limit of the combined zones. Henry presented evidence that this will lower the economic limit for each zone from 0.67 BOPD to 0.5 BOPD. The lower economic limit will increase the per well ultimate recovery by approximately 5,000 BO.

The field already has a two factor allocation formula and Henry requests no change in the formula.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators of wells in the Sallie Ann (Spraberry-Wolfcamp) Field at least ten days prior to the date of hearing.
2. The Sallie Ann (Spraberry-Wolfcamp) Field was discovered in December 2004. The correlative interval for the field is from 7,864 feet to 10,097 feet as shown on the log of the Sallie Lease Well No. 2301.
3. To include the Clearfork pay zone, the Sallie Ann (Spraberry-Wolfcamp) Field should be designated as the correlative interval from 7,050 feet to 10,097 feet as shown on the log of the Henry Petroleum LP - Sallie 23 Lease Well No. 1.
4. A Clearfork only completion is only economic when commingled with the other producing intervals in the wellbore.
5. Expansion of the correlative interval for the field to include the Clearfork interval will maximize ultimate recovery by lowering the economic limit of the combined zones. This will increase the per well ultimate recovery by approximately 5,000 BO.
6. Expansion of the correlative interval for the field will not cause waste because

the interval includes zones which all have similar reservoir and fluid properties.

7. The field already has a two factor allocation formula and Henry requests no change in the formula.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Expansion of the designated interval for the Sallie Ann (Spraberry-Wolfcamp) Field as proposed by Henry Petroleum LP is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the correlative interval for the Sallie Ann (Spraberry-Wolfcamp) Field be expanded as proposed by Henry Petroleum LP.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Hearings Examiner