

THE APPLICATION OF SANDRIDGE EXPL. AND PROD., LLC TO AMEND THE FIELD RULES FOR THE MONAHANS DRAW (CANYON 8388) FIELD, ECTOR COUNTY, TEXAS

Heard by: Donna K. Chandler on March 3, 2011

Appearances:

Cary McGregor
Bill Spencer

Representing:

Sandridge Expl. and Prod., LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Monahans Draw (Canyon 8388) Field were adopted on August 8, 1983 in Order No. 8-80,558. The rules in effect for the field are summarized as follows:

1. 660'-1,320' well spacing;
2. 80 acre density;
3. allocation based on 100% acreage.

Sandridge Expl. and Prod., LLC requests that the field rules be amended as follows:

1. Designation of the field as the correlative interval from 7,904 feet to 10,207 feet as shown on the log of the Parker Trust 19 Well No. 1;
2. 330'-0' well spacing;
3. 80 acre density with optional 10 acre density;
4. allocation based on 5% acreage and 95% potential.

This application was unopposed and the examiner recommends that the field rules for the Monahans Draw (Canyon 8388) Field be amended as proposed by Sandridge.

DISCUSSION OF THE EVIDENCE

The Monahans Draw (Canyon 8388) Field was discovered in 1983. The discovery well for the field was the Parker Trust 20 Well No. 1, which was perforated in a single Canyon sand from 8,388 feet to 8,378 feet. A total of 10 wells have been completed in the field and cumulative production from the field is approximately 260,000 BO. The only well currently producing from the field is the Parker Trust 20 Well No. 18 operated by Sandridge Expl. and Prod., LLC. This well was completed in February 2010.

Wells in the field have cumulative production ranging from less than 10,000 BO to over 80,000 BO. Net pay ranges from 10 feet to 22 feet. Average porosity is 10% and average water saturation is 24%. Based on these reservoir parameters, the drainage areas for wells in the field range from less than 10 acres to 73 acres.

Sandridge plans to further develop the field and has seven well permitted to drill. Sandridge believes that drilling to a density of 10 acres is necessary due to the erratic porosity development of the sands. In addition, Sandridge requests that the designated interval for the field be expanded to include the Wolfcamp, Cisco, Canyon, Strawn and Woodford Shale formations. There are no designated fields in the immediate area which produce from these reservoirs, but Sandridge believes that the reservoirs may contribute to production and improve the economic viability of further development.

Sandridge requests that the field be designated as the correlative interval from 7,904 feet to 10,207 feet as shown on the log of the Parker Trust 19 Well No. 1. The interval is from the top of the Wolfcamp to the base of the Woodford Shale. Many of the zones would not be "stand alone" completions.

Sandridge requests 330'-0' well spacing for the field. This spacing will accommodate development on 10 acres, as well as provide flexibility in placing locations in areas which are expected to encounter the most productive intervals.

It is requested that allocation be based on 95% potential and 5% acreage. This two factor allocation formula meets statutory requirements and is appropriate because pay in each wellbore varies significantly. Reserves are not proportionate to surface acreage.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Monahans Draw (Canyon 8388) Field was discovered in 1983. Field rules for the Monahans Draw (Canyon 8388) Field provide for 660'-1,320' well spacing, 80 acre density and allocation based on 100% acreage.

3. Cumulative production from the Monahans Draw (Canyon 8388) Field is approximately 265,000 BO.
4. Sandridge operates the only producing well in the field and has seven drilling permits for the field.
5. Additional development on 10 acre density is necessary to maximize ultimate recovery from the field.
 - a. Wells in the field have cumulative production ranging from less than 10,000 BO to over 80,000 BO.
 - b. Net pay ranges from 10 feet to 22 feet.
 - c. Calculated drainage areas range from less than 10 acres to almost 80 acres.
 - d. Many of the sands within the proposed correlative interval for the field are lenticular and are not economically viable as separate completions.
6. A spacing rule providing for a minimum of 330 feet from lease lines and 0 feet between wells will flexibility in drilling additional infill producing wells at optimum locations.
7. The Monahans Draw (Canyon 8388) Field should be designated as the correlative interval from 7,904 feet to 10,207 feet as shown on the log of the Parker Trust 19 Well No. 1. This interval is from the top of the Wolfcamp to the base of the Woodford Shale.
8. Allocation based on 95% potential and 5% per well meets statutory requirements and will protect correlative rights.

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. Amending the field rules for the Monahans Draw (Canyon 8388) Field is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the field rules for the Monahans Draw (Canyon 8388) Field be amended as proposed by Sandridge Expl. and Prod., LLC.

Respectfully submitted,

Donna K. Chandler
Technical Examiner