

THE APPLICATION OF MLC OPERATING, LP TO ADOPT TEMPORARY FIELD RULES FOR THE THUNDERBIRD (STRAWN) FIELD, PECOS COUNTY, TEXAS

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

DATE OF HEARING: December 15, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

Davin McGinnis
Rick Johnston

MLC Operating, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

MLC Operating, LP ("MLC") requests that the following temporary Field Rules, subject to review in 18 months, be adopted for the Thunderbird (Strawn) Field:

1. Designation of the field as the correlative interval from 9,431 feet to 9,491 feet as shown on the log of the MLC Operating, LP - Harral-Collins Lease, Well No. 159, (API No. 42-371-37986), Section 59, Block C4, GC&SF RR Co. Survey, A-2802, Pecos County, Texas;
2. 933'-1,867' well spacing;
3. 320 acre gas units with a 10% tolerance;
4. Allocation based on 50% acres and 50% deliverability.

MLC also requests that the allocation formula be suspended, as there is a 100% market demand for all of the gas produced from the field. Since there were returned notice envelopes, MLC published notice of the subject application in the *Fort Stockton Pioneer*, a newspaper of general circulation in Pecos County for four consecutive weeks beginning on November 11, 2010.

The application was unopposed and the examiner recommends approval of temporary Field Rules for the Thunderbird (Strawn) Field, subject to review in 18 months.

OIL AND GAS DOCKET NO. 08-0268115

DISCUSSION OF EVIDENCE

The Thunderbird (Strawn) Field was discovered in November 2008 at a depth of 9,450 feet. The field is classified as non-associated and operates under Statewide Rules. MLC is the only operator in the field and has one producing gas well listed on the proration schedule. Cumulative production from the field through October 2010 is 181.5 MMCFG and 6.6 MBO.

The Thunderbird (Strawn) Field was discovered based on 3-D seismic data. MLC requests that the field be defined as the correlative interval from 9,431 feet to 9,491 feet as shown on the log of the MLC Operating, LP - Harral-Collins Lease, Well No. 159, (API No. 42-371-37986), Section 59, Block C4, GC&SF RR Co. Survey, A-2802, Pecos County, Texas. MLC is planning additional development of the structural feature and requests that Field Rules be adopted for the field which provide for 933'-1,867' well spacing and 320 acre density. MLC submitted a tabulation of other Strawn fields in RRC District 8. The tabulation contained many fields with 933'-1,867' well spacing and 320 acre density and included the Coates (Strawn) and Puckett, East (Strawn) Fields.

MLC also requests that the allocation formula be based on 50% acres and 50% deliverability and that the allocation formula be suspended, as there is a market demand for 100% of the gas produced from the field. MLC recommends that the Field Rules be temporary with a review in 18 months.

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. Notice of the subject application was published in the *Fort Stockton Pioneer*, a newspaper of general circulation in Pecos County for four consecutive weeks beginning on November 11, 2010.
3. The Thunderbird (Strawn) Field was discovered in November 2008 at a depth of 9,450 feet.
4. The field is classified as non-associated and operates under Statewide Rules. MLC is the only operator in the field and has one producing gas well listed on the proration schedule.
5. The entire correlative interval from 9,431 feet to 9,491 feet as shown on the log of the MLC Operating, LP - Harral-Collins Lease, Well No. 159, (API No. 42-371-37986), Section 59, Block C4, GC&SF RR Co. Survey, A-2802,

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Pecos County, Texas, should be designated as the Thunderbird (Strawn) Field.

6. The Thunderbird (Strawn) Field was discovered based on 3-D seismic data and MLC is planning additional development of the structural feature.
7. Temporary Field Rules which provide for 933'-1,867' well spacing and 320 acre density with a review in 18 months are appropriate.
8. Other Strawn fields in RRC District 8 with 933'-1,867' well spacing and 320 acre density include the Coates (Strawn) and Puckett, East (Strawn) Fields.
9. Allocation based on 50% acres and 50% deliverability is a reasonable formula which will protect correlative rights and meet statutory requirements.
10. Suspending the allocation formula is appropriate, as there is a 100% market demand for all the gas produced from the field.

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. Adoption of temporary Field Rules for the Thunderbird (Strawn) Field will 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 adoption of temporary Field Rules for the Thunderbird (Strawn) Field, subject to review in 18 months, as requested by MLC Operating, LP.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner