

THE APPLICATION OF BASA RESOURCES, INC. TO AMEND AND RENUMBER THE FIELD RULES FOR THE IATAN (SAN ANDRES) FIELD, HOWARD AND MITCHELL COUNTIES, TEXAS

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

DATE OF HEARING: June 19, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Brian Sullivan
Frank J. Marek

Basa Resources, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Iatan (San Andres) Field were adopted in Final Order No. 8-37,452, effective February 24, 1958. The Field Rules are summarized as follows:

1. 330'-933' well spacing;
2. 40 acre oil units;
3. Allocation based on 75% acres and 25% per well;
4. Surface casing requirements.

Basa Resources, Inc. ("Basa") requests that the Field Rules be amended and renumbered to provide for a correlative interval, 200'-400' well spacing and 40 acre oil units with optional 5 acre density.

The application is unopposed and the examiners recommend that Field Rules for the Iatan (San Andres) Field be amended and renumbered, as proposed by Basa.

DISCUSSION OF EVIDENCE

The Iatan (San Andres) Field was discovered in April 1957 at an average depth of 2,400 feet. There are 26 producing oil wells and three operators carried on the proration

schedule. The field operates under Field Rules that provide for 330'-933' well spacing, 40 acre oil units and allocation based on 75% acres and 25% per well. Cumulative production from the field through March 2012 is 2.6 MMBO and 607 MMCFG.

There is currently no defined correlative interval for the field. Basa requests that the field be defined as the correlative interval from 1,677 feet to 2,346 feet as shown on the log of the Basa Resources, Inc. - Mary Foster Acct 2 Lease, Well No. 476 (API No. 42-335-34513), Section 7, Block 29, T-1-S, T&P RR Co. Survey, A-654, Mitchell County, Texas. This interval includes the entire San Andres formation. A solution gas drive is the primary drive mechanism for the reservoir.

Basa will be actively developing the Iatan (San Andres) Field by drilling infill wells and re-completing wells from the deeper Iatan, East Howard Field. Basa requests that the Field Rules be amended to provide for 200'-400' well spacing and 40 acre oil units with optional 5 acre density. For consistency, Basa is requesting the same spacing and density rules that have been adopted for the Clearfork formation in the deeper Iatan, East Howard Field, as this will allow wells in the two subject fields to be re-completed or commingled without having to obtain Statewide Rule 37 exceptions.

Basa submitted a 1989 SPE Paper (No. 18941) by Gould and Sarem which presented graphs of rock continuity versus distance between wells for four West Texas carbonate reservoirs. Basa stated that the closest analogy to the Iatan (San Andres) Field presented in the SPE Paper was the Means (San Andres) Field. Basa's Mary Foster Acct 2 Lease is currently on 12.6 acre density and the correlation for the Means (San Andres) Field in the SPE Paper showed a net pay continuity of 58% could be expected for the Mary Foster Acct 2 Lease in the Iatan (San Andres) Field.

Basa calculated an original oil in place ("OOIP") under the Mary Foster Acct 2 Lease of 8.4 MMBO. The projected ultimate recovery from primary and secondary waterflooding is estimated to be 1.5 MMBO, or 18% of the OOIP. From the SPE Paper, Basa projected an 83% net pay continuity for 5 acre density. Basa estimated that the increased pay continuity would result in an increased recovery from the lease of 446 MBO, which would increase the projected ultimate recovery to 1.9 MMBO, or 23% of the OOIP.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Iatan (San Andres) Field was discovered in April 1957 at an average depth of 2,400 feet.
 - a. There are 26 producing oil wells and three operators carried on the proration schedule.
 - b. The field operates under Field Rules that provide for 330'-933' well spacing, 40 acre oil units and allocation based on 75% acres and

25% per well.

3. The correlative interval from 1,677 feet to 2,346 feet as shown on the log of the Basa Resources, Inc. - Mary Foster Acct 2 Lease, Well No. 476 (API No. 42-335-34513), should be designated as a single reservoir for proration purposes and be designated as the latan (San Andres) Field. This interval includes the entire San Andres formation.
4. Field Rules that provide for 200'-400' well spacing and 40 acre oil units with optional 5 acre density are appropriate for the latan (San Andres) Field.
5. The same spacing and density rules that have been adopted for the Clearfork formation in the deeper latan, East Howard Field, will allow wells in the two subject fields to be re-completed or commingled without having to obtain Statewide Rule 37 exceptions.
6. The closest analogy to the latan (San Andres) Field presented in the SPE Paper (No. 18941) by Gould and Sarem is the Means (San Andres) Field.
 - a. The Mary Foster Acct 2 Lease is currently on 12.6 acre density and the correlation for the Means (San Andres) Field in the SPE Paper showed a net pay continuity of 58% could be expected for the Mary Foster Acct 2 Lease in the latan (San Andres) Field.
 - b. The calculated original oil in place ("OOIP") under the lease is 8.4 MMBO.
 - c. The projected ultimate recovery from primary and secondary waterflooding is estimated to be 1.5 MMBO, or 18% of the OOIP.
 - d. The SPE Paper projects an 83% net pay continuity for 5 acre density.
 - e. The increased pay continuity will result in an increased recovery from the Mary Foster Acct 2 Lease of 446 MBO, which will increase the projected ultimate recovery to 1.9 MMBO, or 23% of the OOIP.

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 and renumbering Field Rules for the latan (San Andres) Field is

necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend and renumber the Field Rules for the Iatan (San Andres) Field, as proposed by Basa Resources, Inc.

Respectfully submitted,

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Technical Examiner

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