

THE APPLICATION OF TEXLAND PETROLEUM, L.P. TO AMEND FIELD RULES FOR THE STOCKYARD (SAN ANDRES) FIELD, GAINES COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. Technical Examiner

Hearing Date: May 21, 2008

Appearances:

Representing:

John Soule
Kerry Pollard

Texland Petroleum, L.P.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Temporary field rules for the Stockyard (San Andres) Field were adopted by Order No. 8A-0249022, effective December 19, 2006, until June 19, 2008. The rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 4,528 feet to 4,892 feet as shown on the log of the E. Cook Estate Well No. 3;
2. 467' - 933' well spacing;
3. 160 acre gas units with 10% tolerance and a maximum diagonal of 4,500 feet;
4. Allocation based on 100% acreage.

Texland Petroleum, L.P. requests that the rules be amended as follows:

1. Designation of the field as the correlative interval from 4,528 feet to 4,892 feet as shown on the log of the E. Cook Estate Well No. 3, (No Change);
2. 467' - 933' well spacing, (No Change);
- 3a. 320 acre gas units with 10% tolerance and a maximum diagonal of 6,500 feet with optional 160 acre units;
- 3b. 40 acre oil units

4. Allocation based on 100% acreage.

Texland also requests that the gas field be classified as Associated-Prorated.

This application was unopposed and the examiner recommends that the field rules for the Stockyard (San Andres) Field be amended as requested.

DISCUSSION OF EVIDENCE

The Stockyard (San Andres) Field was discovered in November 2005 upon completion of the E. Cook Estate No. 3 by Texland Petroleum. Temporary field rules were adopted by Order No. 8A-0249022, effective December 19, 2006, until June 19, 2008 establishing 467'/933' spacing and 160 acre gas units. Two additional wells have been completed in the field, including the first oil well.

The E. Cook Estate No. 3 was originally estimated to drain 160 acres based on EUR of 617 MMcf of gas. To date, the E. Cook Estate No. 3 has produced 873.5 MMCF of gas and is currently producing at a rate of 1.405 MMCF of gas per day. The well has drained 160 acres and it is now believed a density of 320 acre units with optional 160 units is appropriate. The production rate of the well is only recently beginning to show a decline.

Texland completed the field's first oil well, the Turman Well No. 1 in March 2008. The draft W-2 shows the initial potential of 9 BOPD, 2.25 MCF of gas and 26 BWPD. The Turman No.1 is perforated from 4,788' to 4,826' in the lower San Andres interval. A gas zone was found and tested at a depth of 4,600' to 4,620'. The drill stem test (DST) showed a minor amount of gas (.5 cu.ft.) and 575' of salt water. The oil well is only marginally economic. Texland is requesting 40 acre density and 467'-933' well spacing (same as gas wells) for oil wells in the field.

Texland is requesting the field be classified as Associated-Prorated as the oil zone is separate and not in contact with the gas zone. A cross section reveals there is 150' of separation with several shale layers in between the oil zone and the gas zone. Gas production should not be limited with the discovery of this oil zone. There is no evidence there is an oil zone in contact a gas cap.

Texland had proposed a two factor allocation formula of 50% acreage and 50% deliverability for gas wells and 50% acreage and 50% per well for oil wells if 100% acreage was not approved. The gas zone is composed of a single sand, therefore a two factor allocation is unnecessary. The oil zone is composed of several thin marginally productive sands which will unlikely produce near the yardstick allowable, therefore an allocation based on 100% acreage is a reasonable method of allocation which will protect the correlative rights of mineral owners in the field.

The E. Cook Estate No. 3 was recompleted from the Stockyard (Glorieta) Field,

which is productive in the deeper Clear Fork. There are many Clear Fork producing wells in the area which operate under 467'-933' spacing rules. Adoption of a similar spacing rules for the Stockyard (San Andres) Field will facilitate recompletions between the fields. Additionally, the surface is being irrigated with a circular irrigation system, the 467'-933' well spacing will allow flexibility in future well placement without interfering with the circular irrigation systems.

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 Stockyard (San Andres) Field was discovered in November 2005 upon completion of the E. Cook Estate No. 3 by Texland Petroleum.
3. Temporary field rules for the Stockyard (San Andres) Field were adopted by Order No. 8A-0249022, effective December 19, 2006, until June 19, 2008. The temporary rules established a designated interval, 467'/933' well spacing, 160 acre density and allocation based on 100% acreage.
4. Rules providing for 320 acre density with optional 160 acre unit for gas wells and 40 acre units for oil wells is appropriate for the Stockyard (San Andres) Field.
 - a. Recoverable gas beneath 160 acres is estimated to be 617 MMCF of gas.
 - b. The E. Cook Estate No. 3 has already produced over 873.5 MMCF of gas and is currently producing at a rate of 1.405 MMCF of gas per day and is expected to drain up to 320 acres.
 - c. The field's first oil well, the Turman Well No. 1 was completed in March 2008. The well had an initial potential of 9 BOPD, 2.25 MCF of gas and 26 BWPD. The well is a marginal producer and is not expected to drain more than 40 acres.
5. Spacing a minimum of 467 feet from lease lines and 933 feet between wells is appropriate to facilitate recompletions from the Clear Fork to the San Andres in existing wellbores and to locate wells around circular irrigation systems at the surface.
6. The field should be classified an Associated-Prorated as the oil zone is separate and not in contact with the gas zone. A cross section reveals there is 150' of separation with several shale layers in between the oil zone and the gas zone.
7. Allocation based on 100% acreage is a reasonable method of allocation which will protect the correlative rights of mineral owners in 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. Amending the field rules for the Stockyard (San Andres) Field is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the field rules for the Stockyard (San Andres) Field be amended as requested by Texland Petroleum, L.P.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner