

APPLICATION OF TOMMY SWANSON OIL COMPANY, INC. TO AMEND THE FIELD RULES FOR THE ILLUSION LAKE (SAN ANDRES) FIELD, LAMB COUNTY, TEXAS

HEARD BY: Donna K. Chandler on January 9, 2009

APPEARANCES:

George Neale
Cary McGregor

REPRESENTING:

Tommy Swanson

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Illusion Lake (San Andres) Field currently provide for the following:

1. Designation of the field as the correlative interval from 4,070 feet to 4,170 feet as shown on the log of the Young No. 14;
2. 330-600' well spacing;
3. 40 acre density;
4. Allocation based on 100% acreage.

Tommy Swanson requests that the density rule be amended to provide for optional 20 acre units. Swanson also requests Entity for Density authority for its Young lease.

This application was unopposed and the examiner recommends approval of the requested field rule amendment and Entity for Density authority for the Young lease.

DISCUSSION OF THE EVIDENCE

The Illusion Lake (San Andres) Field was discovered in 1957. Swanson operates all eight of the producing wells in the field and is continuing to develop its Young lease. Cumulative production from the field is 1.137 million BO. Current production from Swanson's wells is about 70 BOPD. Prior to Swanson's initiation of further development in the field in 2008, production was less than 10 BOPD.

Swanson has drilled six wells in the past year and has three more wells permitted on its Young lease. Swanson plans to permit at least three more producing wells and waterflood the lease in the near future. Configuration of proration units is increasingly difficult with the drilling of new wells, as well as placement of producing/injection wells on the lease. For this reason, Swanson requests that the 531 acre Young lease be designated as an entity for density purposes.

Average porosity of the reservoir is 14% and average permeability is 46%. Estimated original oil-in-place beneath the Young lease is 8 million BO. Cumulative production from the Young lease is 916,000 BO, or only 11% of original oil-in-place. The wells recently drilled by Swanson demonstrate that old, previously producing wells had not effectively drained the lease on 40 acre development. Recent wells have had potentials of up to 25 BOPD. Several of the wells have been drilled within 500 feet of wells which have been plugged and abandoned. Swanson feels that development on less than 40 acres is necessary in some areas. Swanson estimates that each new well will produce a minimum of 8,000 to 10,000 BO. Additionally, Swanson submitted a tabulation of 33 other San Andres fields which have 20 acre density rules in effect.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Illusion Lake (San Andres) Field was discovered in 1957 and Swanson is the operator of all eight producing wells currently in the field.
3. The field operates under rules providing for a designated interval, 330'-600' well spacing, 40 acre density, and allocation based on 100% acreage.
4. Adoption of an optional 20 acre density rule for the field is appropriate.
 - a. Swanson has drilled six wells on its Young lease in the past year. These wells have apparently encountered areas of the reservoir which have not been drained by previously producing wells in the field.
 - b. Cumulative production from the Young lease is only 11% of original oil-in-place for the lease.
 - c. Many other San Andres fields operate under rules providing for 20 acre density.
5. Entity for Density authority for the Young lease will accommodate placement of future producing and injection wells without the need to reconfigure proration unit plats.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Amending the field rules to provide for optional 20 acre density will prevent waste, foster conservation and protect correlative rights.
4. Entity for Density authority for the Young lease is necessary to maximize recovery from the lease.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that Rule 3 of the field rules for the Illusion Lake (San Andres) Field be amended to provide for optional 20 acre density. It is also recommended that the Young lease be granted Entity for Density authority.

Respectfully submitted,

Donna K Chandler
Technical Examiner