

March 5, 2007

OIL AND GAS DOCKET NO. 10-0250220

APPLICATION OF STRAND ENERGY, L.C. TO AMEND THE FIELD RULES FOR THE SPOONY (MISSISSIPPIAN) FIELD, OCHILTREE COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: February 27, 2007

APPEARANCES:

Cary Brock

REPRESENTING:

Strand Energy, L.C.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Strand Energy for the Commission to consider amending the field rules for the Spoony (Mississippian) Field. The current field rules were adopted by Order No. 10-72,695, effective June 25, 1979, that provide for the following:

1. Minimum well spacing of 1320'/2640' (lease line/between well);
2. 640 acre gas proration units with 10% tolerance and a maximum diagonal of 9,000';
3. An allocation formula based on 100% acreage.

Strand Energy proposes the following:

1. The entire correlative interval from 7,300' to 7,450' as shown on the Induction Electrical log of the Horizon Oil & Gas Co., Hogland Well No. 1, W. Willmuth Survey, A-466, Ochiltree County, Texas be designated as the Spoony (Mississippian) Field.
2. Minimum oil or gas well spacing of 660'/1867' (leaseline/between well);
3. 640 acre gas proration units with 10% tolerance and a maximum diagonal of 9,000' and optional 160 acre gas density and a maximum diagonal of 4,500'; and
4. No change in allocation formula and suspension of the allocation formula.

DISCUSSION OF THE EVIDENCE

The Spooky (Mississippian) Field was discovered in 1959 at 7,312' subsurface depth. The field is designated as Non-Associated-One Well. The field rules were adopted by Order No. 10-72,695, effective June 25, 1979, pursuant to Special Order 20-68,382, issued effective February 6, 1978, that provided single operator fields that have operated since discovery pursuant to Statewide Rules may request uncontested rules administratively (without hearing or showing of evidence). The only well in the subject field is the Continental Trend Resources, Green -K- Lease Well No. 1 completed in 1985. Strand Energy has leases in the area and a well location and has standing to propose this application.

It is proposed that the entire correlative interval from 7,300' to 7,450' as shown on the Induction Electrical log of the Horizon Oil & Gas Co., Hogland Well No. 1, W. Willmuth Survey, A-466, Ochiltree County, Texas be designated as the Spooky (Mississippian) Field. Basic reservoir parameters are: 6.8% porosity, 25% water saturation and net pay thickness of 16 feet.

Proration unit density of 640 acres and optional 160 acres is necessary for the efficient and effective depletion of the reservoir. Cumulative reported field production since 1970 is 1.076 BCF of gas. Volumetric analysis calculated recoverable gas-in-place to be 288 MCF/AcFt. The Farnsworth, N. (Chester) Field is an analogy field with similar reservoir characteristics that has been producing since 1966 with 11 wells. Ultimate recoveries range from 155 MMCF to 1.39 BCF. Drainage areas range from 123 to 490 acres (7 wells less than 176 acres). The Farnsworth, N. (Chester) Field has field rules that also provide for optional 160 acre density.

The proposed minimum well spacing of 660'/1867' (leaseline/between well) will provide flexibility for locating wells for the orderly development of the field.

The 100% acreage allocation formula fairly represents the reserves that a well can recover. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

FINDINGS OF FACT

1. Notice of this hearing was sent to all parties entitled to notice at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Spooky (Mississippian) Field was discovered in 1959 at 7,312' subsurface depth. The field is designated as Non-Associated-One Well. The field rules were adopted by Order No. 10-72,695, effective June 25, 1979, pursuant to Special Order 20-68,382, issued effective February 6, 1978

- a. The only well in the subject field is the Continental Trend Resources, Green -K- Lease Well No. 1 completed in 1985.
- b. Strand Energy has leases in the area and a well location and has standing to propose this application.
4. The entire correlative interval from 7,300' to 7,450' as shown on the Induction Electrical log of the Horizon Oil & Gas Co., Hoghland Well No. 1, W. Willmuth Survey, A-466, Ochiltree County, Texas be designated as the Spoony (Mississippian) Field.
5. Proration unit density of 640 acres and optional 160 acres is necessary for the efficient and effective depletion of the reservoir.
 - a. The Farnsworth, N. (Chester) Field is an analogy field with similar reservoir characteristics that has been producing since 1966 with 11 wells.
 - b. Ultimate recoveries range from 155 MMCF to 1.39 BCF and the drainage areas range from 123 to 490 acres (7 wells less than 176 acres).
 - c. The Farnsworth, N. (Chester) Field has identical field rules that also provide for optional 160 acre density.
6. The proposed minimum well spacing of 660'/1867' (leaseline/between well) will provide flexibility for locating wells for the orderly development of the field.
7. The 100% acreage allocation formula fairly represents the reserves that a well can recover. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

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. Consideration for amending field rules for effectiveness are a matter within the Commission jurisdiction.
4. Adoption of the proposed amended field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of amending the field rules for the Spooony (Mississippian) Field.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel