

OIL AND GAS DOCKET NO. 10-0251360

May 10, 2007

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APPLICATION OF AMERICAN STAR ENERGY AND MINERALS CORPORATION FOR EXCEPTION TO CONSIDER COMPLETION AUTHORITY ABOVE THE NORMAL FIELD PRODUCING INTERVAL FOR THE BEARKILLER LEASE WELL NO. 10, PANHANDLE HUTCHINSON COUNTY FIELD, HUTCHINSON COUNTY, TEXAS

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

DATE OF HEARING: May 10, 2007

APPEARANCES:

Carroll Beaman

REPRESENTING:

American Star Energy and Minerals Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unprotested application of American Star Energy and Minerals Corporation for Commission authority to recomplete the Bearkiller Lease (04720) Lease Well No. 40 above the allowed perforation guideline limit up to 2564 feet (plus 430' sea level datum). The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Panhandle Hutchinson County Rules for oil wells provide for guidelines for compliance. The purpose of this is to prohibit the perforations of oil wells in the dry gas horizons. Because the gas-oil contact is not clearly defined in all parts of the field, guidelines were adopted based on the premise if a well met any one of the guidelines, it would be presumed to be an oil well. If a well does not meet any of the "guidelines" for oil well classification, evidence may be presented to rebut the guidelines.

The American Star Energy and Min., Bearkiller Well No. 40 was completed in 1981 with perforations from 3,076' to 3,144' subsurface depth. The elevation of the well is 2,994', hence the top of the existing perforation interval is -81 sea level. Guidelines for Compliance No. 1 states "The top perforation is at or below +250 sea level." American Star Energy and Min. proposes perforating up to 2,564' for a +430 feet sea level. Upon re-completion a Form W-2 will be filed with the Commission and Special Oil Field Rule No. 6 requires annual W-10 Testing and the accepted limits on gas production. Re-completion of the well will result in the recovery of reserves that otherwise would go unrecovered. The offset operators were notified of the proposed hearing and there was no protest.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Panhandle Hutchinson County Rules for oil wells provide for guidelines for compliance to prohibit perforations of oil wells in the dry gas horizons.
 - a. If a well does not meet any of the “guidelines” for oil well classification, evidence may be presented to rebut the guidelines.
 - b. Guidelines for Compliance No. 1 states the top perforation is at or below +250 feet sea level.
4. The American Star Energy and Min., Bearkiller Well No. 10 was completed in 1981 with perforations from 3,076' to 3,144' subsurface depth.
 - a. The elevation of the well is 2,994', hence the top of the existing perforation interval is -81 sea level.
5. American Star Energy and Min. proposes perforating up to 2,564' for a +430 feet sea level. Re-completion of the well will result in the recovery of reserves that would otherwise go unrecovered.
6. The offset operators were notified of the proposed hearing and there was no protest.

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. Re-completion of the subject well will prevent waste and not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the application of American Star Energy and Min. Corp. for Commission authority to recomplete the Bearkiller Lease (04720) Lease Well No. 10 above the allowed perforation guideline limit up

to 2,564 feet (plus 430' sea level datum) in the Panhandle Hutchinson County Field.

Respectfully submitted,

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