

APPLICATION OF STRAT LAND EXPLORATION COMPANY TO ADOPT PERMANENT FIELD RULES FOR THE ARRINGTON (CHEROKEE) FIELD, HUTCHINSON COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: November 17, 2009

APPEARANCES:
Kerry A. Pollard

REPRESENTING:
Strat Land Exploration Company

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

Strat Land Exploration Company requests that field rules for the Arrington (Cherokee) Field be adopted. The field is currently governed by Statewide Rules that provide for a 40 acre density and 467'-1,200' well spacing. Strat Land requests that the well density be increased from 40 acres to 640 with optional 160 acres and a designated interval be included. Strat Land proposes the following rules for the field:

1. Designation of the field as the correlative interval from 6,130 feet to 6,208 feet as shown on the log of the Strat Land Exploration's, Winegeart Well No. 1-118.;
2. Minimum well spacing of 467'/1,200' (lease line/between well),
3. 640 acre gas proration units with 10% tolerance and maximum diagonal of 8,500'; and optional 160 acre units with a maximum diagonal of 4,500'; and
4. 100% acreage allocation formula and continuation of suspension of the allocation formula.

This application was unopposed and the examiner recommends that the field rules for the Arrington (Cherokee) Field be adopted as requested.

DISCUSSION OF THE EVIDENCE

The Arrington (Cherokee) Field was discovered in 1995 at a depth of 6,262' subsurface depth. The top and base of the Cherokee Sand is found between 6,130 feet and 6,208 feet as shown on the log of the Strat Land Exploration's, Winegeart Well No. 1-118. The field is governed by Statewide field rules. The field has been extensively developed with 40 acre density. Strat Land believes wells drilled on 40 acre density were competing for reserves. Cumulative production from the field is 4.7 BCF of gas and 4,709 barrels of condensate. Current production is \pm 20 MMCF/M.

Strat Land drilled and completed the Winegeart Well No. 1-118 in December 2008. The well flowed at a rate of 1.743 MMCF of gas with a flowing tubing pressure of 910 psi on a 24/64" choke. Strat Land believes the well encountered virgin formation pressures of 1,487 psig. Strat Land requests 640 acre gas unit density as the Winegeart Well No. 1-118 decline curve analysis shows the well will drain a large area. Decline curve analysis of the Winegeart Well No. 1-118 shows the well will have an estimated ultimate recovery range between 800 to 1,200 MMCF of gas. The calculated drainage area ranged from 352 acres to 529 acres for the well. The Kirk (Chase), Shirley (Cleveland), Shirley (Marmaton) and the Shirley (Tonkawa) gas fields are located in the immediate area and have a density of 640 acres per well. Drainage areas were estimated on the other wells in the field. The calculated drainage area ranged from 9 acres to 332 acres with an average of 143 acres per well. Adopting the proposed field rules will prevent the drilling of unnecessary wells.

The proposed minimum well spacing, 467'/1200' (leaseline/between well), will provide for additional flexibility in locating new wells as the field is long and narrow and allow the well to be commingled with other fields in the area.

Continuation of the 100% acreage allocation formula will provide for the protection of correlative rights pursuant to State Statutes. Continuation of suspension of the allocation formula is warranted as the proposed field rules will not change the demand for gas from the subject field.

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 Arrington (Cherokee) Field was discovered in 1995 at a depth of 6,262' subsurface depth.
 - a. The field is governed by Statewide Rules.

- b. This field has 7 wells and has produced 4.7 BCF of gas..
4. The proposed correlative interval for the field is from 6,130 feet and 6,208 feet as shown on the log of the Strat Land Exploration's, Winegeart Well No. 1-118. This interval includes the top and base of the Cherokee Sand.
5. The base 640 acre gas unit density is warranted as the Winegeart Well No. 1-118 decline curve analysis shows the well will drain a large area.
 - a. Decline curve analysis was performed on the Winegeart Well No. 1-118 and showed the well will have an estimated ultimate recovery range between 800 to 1,200 MMCF of gas.
 - b. The calculated drainage area ranged from 352 acres to 529 acres.
 - c. The Kirk (Chase), Shirley (Cleveland), Shirley (Marmaton) and the Shirley (Tonkawa) gas fields are located in the immediate area and have a density of 640 acres per well.
6. Optional 160 acre gas proration unit density is necessary to provide for the efficient and effective depletion of the subject field.
 - a. Drainage areas were estimated on the other wells in the field.
 - b. The calculated drainage area ranged from 9 acres to 332 acres with an average of 143 acres per well.
7. The proposed minimum well spacing, 467'/1200' (leaseline/between well), will provide for additional flexibility in locating new wells as the field is long and narrow.
8. Continuation of the 100% acreage allocation formula will provide for the protection of correlative rights pursuant to State Statutes.
9. Continuation of suspension of the allocation formula is warranted as the proposed field rules will not change the demand for gas from the subject field.

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 of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.

4. Adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.
5. Continued suspension of the allocation formula is pursuant to Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed adopted field rules for the Arrington (Cherokee) Field and continuation of suspension of the allocation formula.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner
Office of General Counsel