

**THE APPLICATION OF STRAT LAND EXPLORATION COMPANY TO CONSIDER
TEMPORARY FIELD RULES FOR THE SHAPLEY (BROWN DOLOMITE) FIELD,
HANSFORD COUNTY, TEXAS**

Heard by: Donna K. Chandler on April 9, 2001

Appearances:

Kerry Pollard

Representing:

Strat Land Exploration Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Strat Land Exploration Company requests that temporary field rules be adopted for the Shapley (Brown Dolomite) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 2,808 feet to 3,032 feet as shown on the log of the Black 1;
2. 467' - 1,200' well spacing;
3. 640 acre gas units plus 10% tolerance and a maximum diagonal of 8,500 feet; optional 320 acre units with a maximum diagonal of 6,500 feet;
4. Allocation based on 100% acreage.

This application was unopposed and the examiner recommends adoption of the field rules proposed by Strat Land on a temporary basis, subject to review in 18 months.

DISCUSSION OF EVIDENCE

The Shapley (Brown Dolomite) Field was discovered in June 2000 upon completion of the Black No. 1 by Strat Land Exploration Company. Strat Land completed a second well in the field, the Thormodsgaard No. 5, in August 2000 and a third well, the Lillie No. 2, in September 2000. A fourth well is being drilled and three additional locations have been permitted. All are horizontal wells drilled in the uppermost portion of the Brown Dolomite.

The Shapley (Brown Dolomite) Field is near the Texas Hugoton Field approximately 2 miles

to the north. The Texas Hugoton Field was discovered in 1945 and also produces from the Brown Dolomite. The Texas Hugoton Field is developed on 640 acre density. The Patten (Krider) Field is approximately 2 miles to the south of the Shapley (Brown Dolomite) Field. The Patten (Krider) Field has been developed with horizontal wells and operates under rules similar to those proposed for the Shapley (Brown Dolomite) Field.

The Black No. 1 produces from an interval in the Brown Dolomite between 3,081 and 4,200 feet. On initial test, the well produced 211 MCFD. The Thormodsgaard No. 5 produced at a rate of 317 MCFD on initial test in August 2000. The Lillie No. 2 produced 213 MCFD on initial test in August 2000. Wells producing from the Brown Dolomite typically produce at low rates with little or no decline. Strat Land expects that wells in the Shapley (Brown Dolomite) will perform similarly to wells in the Patten (Krider) and Texas Hugoton Fields.

The proposed 467'-1,200' well spacing will provide maximum flexibility in developing the field using existing vertical wellbores.

FINDINGS OF FACT

5. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
6. The Shapley (Brown Dolomite) Field was discovered in June 2000 upon completion of the Black No. 1 by Strat Land Exploration Company.
7. Strat Land is actively developing the field with horizontal wellbores. At the time of the hearing, Strat Land had 3 producing wells and a fourth well drilling, as well as three additional planned locations.
8. The Shapley (Brown Dolomite) Field is near the Texas Hugoton Field approximately 2 miles to the north and the Patten (Krider) Field approximately 2 miles to the south, both of which produce from the Brown Dolomite.
9. The Texas Hugoton Field operates under rules providing for 640 acre density. The Patten (Krider) Field operates under rules providing for 640/optional 320 acre density. The Patten (Krider) Field is also being developed with horizontal wells.
10. Wells in the field are expected to produce at low rates for many years with little or no decline, as is typical in both the Texas Hugoton and Patten (Krider) Fields.
11. Well spacing a minimum of 467 feet from lease lines and 1,200 feet between wells is necessary to provide flexibility in locating wells and using existing vertical wellbores.

12. Allocation based on 100% acreage is a reasonable formula which will protect 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. Adoption of the proposed field rules for the Shapely (Brown Dolomite) Field on a temporary basis is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission adopt the field rules proposed by Strat Land for the Shapely (Brown Dolomite) Field on a temporary basis, subject to review in 18 months.

Respectfully submitted,

Donna K. Chandler
Technical Examiner