

OIL AND GAS DOCKET NO. 08-0268741

THE APPLICATION OF RELIANCE ENERGY, INC. FOR BLANKET AUTHORITY FOR EXCEPTION TO STATEWIDE RULE 10 FOR WELLS LOCATED ON THE MABEE LEASES FOR ALL FORMATIONS FROM THE TOP OF THE CLEARFORK TO THE TOP OF THE WOODFORD SHALE, ECTOR COUNTY, TEXAS

HEARD BY: Donna K. Chandler

DATE OF HEARING: January 26, 2011

APPEARANCES:

Cary McGregor

REPRESENTING:

Reliance Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Reliance Energy, Inc. requests that the Commission approve a blanket authority for exception to Statewide Rule 10 for all wells on the following 10 leases:

| | |
|------------|----------------|
| Mabee 138 | Mabee 138P |
| Mabee 139 | Mabee 139C |
| Mabee 140A | Mabee 140B |
| Mabee 22 | Mabee 239 |
| Mabee 239B | Mabee 239C |
| Mabee 239D | Mabee 239 Deep |
| Mabee 24 | Mabee 240 |
| Mabee 240A | Mabee 240B |
| Mabee 240C | Mabee OH |
| Mabee P | |

Reliance originally requested Rule 10 exception for the following fields:

| | |
|------------------------------|-------------------------------|
| Spraberry (Trend Area) Field | Mabee (Clear Fork Field |
| Glass (Spraberry) Field | Lowe (Leonard, Lo.) Field |
| Lowe (Dean) Field | Glass, North (Wolfcamp) Field |
| Lacaff (Dean) Field | Hutex (Dean) Field |

| | |
|------------------------------------|---|
| Mabee (Dean) Field | Mabee (Strawn) Field |
| Headlee, N. (Strawn) Field | Lowe (Strawn) Field |
| Circle Bar, East (Atoka) Field | Lowe (Atoka) Field |
| Lowe (Miss.) Field | Lucky Stan (Atoka Reef) Field |
| Mabee, North (Mississippian) Field | Spraberry (Trend Area Dean-Wlfcp) Field |
| Wildcat Field | |

The requested relief would allow commingling of all zones between the top of the Clearfork and the top of the Woodford Shale. The correlative interval is from 6,935 feet to 12,207 feet as shown on the log of the Mabee 140 B Well No. 4803. Reliance requests that wells be assigned to the Spraberry (Trend Area) Field for proration purposes.

The application was unopposed and the examiner recommends approval of the requested blanket authority for exception to Statewide Rule 10, with the limitation that only the Spraberry (Trend Area) Field, Mabee (Strawn) Field, Lowe (Atoka) Field and Lowe (Miss.) Field be included, as well as any Wildcat zone within the correlative interval. Reliance did not consider this to be an adverse recommendation.

DISCUSSION OF THE EVIDENCE

The Spraberry (Trend Area) Field covers portions of at least nine counties in the Midland Basin. The current designated interval for the Spraberry (Trend Area) Field is the entire correlative interval from 6,865 feet to 10,605 feet as shown on the log of the Houpt Lease, Well No. 1. This interval includes the Clearfork, Spraberry, Dean and Wolfcamp formations, down to the top of the Strawn formation. Recently, the Commission has approved blanket Rule 10 authority for the Spraberry (Trend Area) Field and many Strawn fields in Commission Districts 7C, 8 and 8A.

Reliance Energy, Inc. operates the 19 subject Mabee leases in Andrews and Midland Counties County. The leases cover approximately 43,000 acres. Reliance is currently developing the area and requests authority to commingle the Atoka and Mississippian formations with the Spraberry (Trend Area) Field and Strawn formations. The Atoka and Mississippian are just below the Strawn. In the area of the Mabee leases, the interval requested for commingling authority is the correlative interval from 6,935 feet to 12,207 feet as shown on the log of the Mabee 140 B Well No. 4803. The interval includes the Clearfork, Spraberry, Dean, and Wolfcamp which comprise the Spraberry (Trend Area) Field, the Strawn, the Atoka and the Mississippian.

The Lowe (Atoka) Field is the Atoka field designation in the area of the Mabee leases. The Mabee (Strawn) Field is the field designation for Strawn completions in the area of the Mabee leases. The Lowe (Miss.) Field is the field designation for Mississippian completions in the area of the Mabee leases. Reliance requests that these fields be included in the order to insure there is no confusion that all zones may be downhole commingled.

Stand-alone Atoka or Mississippian completions will not be economically viable. Reliance estimates that an additional 13,000 BO can be recovered from wells if these two

zones are allowed to be commingled with the Spraberry (Trend Area) interval and Strawn interval. These additional reserves will be produced due to the lower combined economic limit. The Wildcat designation will cover completions in other productive intervals which do not have designated field names.

It has previously been found by the Commission that downhole commingling of Strawn production and Spraberry (Trend Area) production will not cause waste. Administrative Rule 10 exceptions have previously granted for the Spraberry (Trend Area), Strawn, Atoka and Mississippian fields in the area. Reliance expects that any commingled well will be on artificial lift and therefore crossflow will not occur.

Reliance requests that wells which are downhole commingled in the subject fields be assigned to the Spraberry (Trend Area) Field for proration purposes.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in all of the subject fields.
2. The Spraberry (Trend Area) Field is currently designated as the correlative interval from 6,865 feet to 10,605 feet as shown on the log of the Houpt Lease, Well No. 1. This interval includes the Clearfork, Spraberry, Dean and Wolfcamp formations which extends to the top of the Strawn formation.
3. Reliance Energy, Inc. is currently developing its Mabee leases and has found Mississippian and Atoka productive intervals below the Strawn which will not justify single completions.
4. Previous Rule 10 exceptions have previously been granted administratively for the Spraberry (Trend Area) Field with the Strawn, Atoka, and Mississippian.
5. In the area of the Mabee leases, the interval from 6,935 feet to 12,207 feet as shown on the log of the Mabee 140 B Well No. 4803 includes the Clearfork, Spraberry, Dean, and Wolfcamp which comprise the Spraberry (Trend Area) Field, the Strawn, the Atoka and the Mississippian.
6. Any commingled well will likely require artificial lift and cross-flow between the fields is not expected.
7. As a result of commingling the Atoka and Mississippian with the Spraberry (Trend Area) and Strawn, incremental reserves of approximately 13,000 BO per well can be produced due to the lower combined economic limit.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested authority for exception to Statewide Rule 10 for all wells on the 10 Mabee leases in the Spraberry (Trend Area) Field, Mabee (Strawn) Field, Lowe (Atoka) Field, Lowe (Miss.) Field and Wildcat Fields, will prevent waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends approval of exceptions to Statewide Rule 10 for all wells on the Mabee leases in the Spraberry (Trend Area) Field, Mabee (Strawn) Field, Lowe (Atoka) Field, Lowe (Miss.) Field and Wildcat Fields which are within the correlative interval specified.

Respectfully submitted,

Donna K. Chandler
Technical Examiner