

OIL AND GAS DOCKET NO. 7C-0233649

**THE APPLICATION OF NADEL AND GUSSMAN PERMIAN L.L.C. FOR PERMANENT
FIELD RULES FOR THE MOELSON (CLEAR FORK) FIELD, IRION COUNTY, TEXAS**

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: January 23, 2003
Hearing held: February 21, 2003

Appearances

Dale E. Miller
Keith Lilie

Representing
Nadel and Gussman Permian L.L.C.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The permanent field rules that Nadel and Gussman Permian is proposing for the Moelson (Clear Fork) Field are summarized as follows:

1. Designated interval from 2240' to 3720' as shown on the log of the Kaneb Energy Co. A. A. Sugg "3058" Lease Well No. 3; and
2. 467-933' well spacing.

The examiner requested that a two-factor allocation formula be adopted. The applicant suggested one based 95% on potential and 5% per well. The applicant also requested that the drilling units remain 40 acres.

DISCUSSION OF THE EVIDENCE

The Moelson (Clear Fork) Field was discovered in June of 2002, at a depth of 3430'. The discovery well is Samson Lone Star's A.A. Sugg "3059" Lease Well No. 1. This well is perforated in the main Clear Fork sandstone and had an initial potential of 20 BOPD, 3 MCF/D and 38 BWPD. The new field, as approved, has a designated interval between 3418' and 3486'.

Nadel and Gussman Permian completed the second well in the field, the A.A. Sugg "3058" Lease Well No. 5, in November of 2002. The. This well is 3500' from the discovery well and its initial potential was 85 BOPD and 1 BWPD with no gas. Cumulative production from the discovery well's first five months is 1856 BO, and the applicant's well produced 1127 BO during its first month.

The applicant is requesting between-well spacing of 933' because it believes that this field will

be a candidate for water-flooding. A five-spot pattern can be developed if the between-well spacing is twice the lease-line spacing. The applicant intends to develop the field on the Statewide density of 40 acres per drilling unit.

The Clear Fork Formation extends from 2240' to 3720' in the nearby Kaneb Energy Co. A.A. Sugg "3058" Lease Well No. 3. The applicant is requesting that the entire Clear Fork Formation be designated as the Moelson (Clear Fork) Field. The main sandstone is between 3240' and 3290' in the Kaneb well, but there are other sandstones apparent above and below. If those sandstones are developed in future wells, the applicant wants the ability to produce them along with the main sandstone. These stray sandstones would have limited areal extent.

Two-factor allocation is required by statute for a lenticular field with multiple pay sands in the designated interval. A formula based 95% on potential and 5% per well will satisfy the statutory requirements.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the Moelson (Clear Fork) Field on February 4, 2003.
2. The Moelson (Clear Fork) Field was discovered in July, 2002, by the completion of the Samson Lone Star A.A. Sugg "3059" Lease Well No. 1.
3. The discovery well had an initial potential of 20 BOPD, 3 MCF/D and 38 BWPD, and has produced 1856 BO.
4. In November, 2002, Nadel and Gussman Permian completed their A.A. Sugg "3058" Lease Well No. 5, 3500' from the discovery well.
5. The initial potential of the applicant's well was 85 BOPD and 1 BWPD with no gas, and it has produced 1127 BO.
6. The interval between from 2240' to 3720', as shown on the log of the nearby Kaneb Energy Co. A. A. Sugg "3058" Lease Well No. 3, includes the entire Clear Fork Formation.
7. There are multiple producing sandstones that are laterally discontinuous in this Clear Fork interval.
8. A two-factor allocation formula, such as one based 95% on potential and 5% per well, is required for multiple reservoir fields.
9. Reducing the between-well spacing to 933', twice the lease-line spacing, will facilitate waterflooding.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The requested field rules will prevent waste, protect correlative rights within the field, and promote orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the requested field rules be adopted for the Moelson (Clear Fork) Field be adopted, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: March 11, 2003