

October 11, 2006

OIL AND GAS DOCKET NO. 8A-0248276

APPLICATION OF CHOLLA PETROLEUM INC. TO CONSIDER FIELD RULES FOR THE BOYLES (ATOKA CONGL.) FIELD, COTTLE COUNTY, TEXAS

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

DATE OF HEARING: September 29, 2006

APPEARANCES:

Jamie Nielson, attorney
Greg Cloud

REPRESENTING:

Cholla Petroleum, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Cholla Petroleum, Inc. for the Commission to consider permanent field rules for the Boyles (Atoka Congl.) Field as follows:

1. The entire combined correlative interval from 7,145' to 7,170' as shown on the Dual Induction - SFL W/GR log of the Sojourner Drilling Corp., Corrine Martin Estate Lease Well No. 1, Sect 3, I.R.R. Co. Survey, A-369, Cottle County, Texas, should be designated as the Boyles (Atoka Congl.) Field.
2. Minimum well spacing of 660'/1320' (leaseline/between well);
3. 160 acre gas proration unit density and 10% tolerance and maximum diagonal of 4,500';
4. Allocation formula of 100% acreage.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Boyles (Atoka Congl.) Field was discovered in 1989 by completion of the Sojourner Drilling Corp., Corrine Martin Estate Well No. 1 through perforations from 7,149' to 7,168 subsurface depth. The field is governed by Statewide Rules. There two operators in the field with one well each. The field is designated as Non-Associated-Prorated

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Gas proration unit density of 160 acres is necessary to provide for the effective and efficient depletion of the reservoir. Cumulative production from the field is 1.656 BCF of gas from the Sojourner well. Cholla Petroleum recently completed the Boyles Well No. 1 in June 2006. The original reservoir pressure was 3,043 psia. The Cholla well measured a bottomhole pressure of 1,787 psia, a pressure depletion of 41%. The two wells are 3,500' apart. The estimated ultimate recovery for the Sojourner well is 2.25 BCF of gas. Volumetric analysis calculates the recoverable gas-in-place to be 725 MCF/AcFt. The calculated drainage area for the Corrine Martin Estate Well No. 1 is 155 acres.

Minimum well spacing of 660'/1320' (leaseline/between well) will provide flexibility in locating wells in the subject field.

The proposed 100% acreage allocation formula will provide for the protection of correlative rights.

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 Boyles (Atoka Congl.) Field was discovered in 1989 by completion of the Sojourner Drilling Corp., Corrine Martin Estate Well No. 1 through perforations from 7,149' to 7,168 subsurface depth.
 - a. There two operators in the field with one well each.
 - b. The field is designated as Non-Associated-Prorated
4. The entire combined correlative interval from 7,145' to 7,170' as shown on the Dual Induction - SFL W/GR log of the Sojourner Drilling Corp., Corrine Martin Estate Lease Well No. 1, Sect 3, I.R.R. Co. Survey, A-369, Cottle County, Texas, should be designated as the Boyles (Atoka Congl.) Field.
5. Gas proration unit density of 160 acres is necessary to provide for the effective and efficient depletion of the reservoir.
 - a. Cholla Petroleum recently completed the Boyles Well No. 1 in June 2006 and the original reservoir pressure was 3,043 psia.
 - b. The Cholla well measured a bottomhole pressure of 1,787 psia, a pressure depletion

of 41% and the two wells are 3,500' apart.

- c. The estimated ultimate recovery for the Sojourner well is 2.25 BCF of gas.
 - d. The calculated drainage area for the Corrine Martin Estate Well No. 1 is 155 acres.
6. Minimum well spacing of 660'/1320' (leaseline/between well) will provide flexibility in locating wells in the subject field.
 7. The proposed 100% acreage allocation formula will provide for the protection of correlative rights.

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 for field rules, a determination of the effectiveness of the rules 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.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field rules for the Boyles (Atoka Congl.) Field.

Respectfully submitted,

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