



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0277305

THE APPLICATION OF ANADARKO E&P COMPANY LP FOR BLANKET AUTHORITY FOR EXCEPTION TO STATEWIDE RULE 10 FOR ALL WELLS IN THE BRISCOE RANCH (EAGLEFORD) AND AMANN (BUDA) FIELDS, DIMMIT, MAVERICK AND WEBB COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

DATE OF HEARING: August 15, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

Ana Maria Marsland-Griffith
David Christian

Anadarko E&P Company LP

OBSERVERS:

Clark Jobe
Meri Lynn Gobran

Pioneer Natural Res. USA, Inc.

Tom Weber

Murphy Expl. & Prod. Co. - USA

James M. Clark

Talisman Energy USA Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Anadarko E&P Company LP ("Anadarko") requests that the Commission approve a blanket authority for exception to Statewide Rule 10 for all wells in the Briscoe Ranch (Eagleford) and Amann (Buda) Fields, Dimmit, Maverick and Webb Counties, Texas.

At the hearing, Anadarko originally proposed to amend the correlative interval in Dimmit, Maverick and Webb Counties to include the top ten feet of the Buda formation, or in the alternative, to consider a three dimensional tolerance rule (rectangular prism) for the

horizontal drainhole lateral. After considering the issues involved, the examiners recommended that Anadarko seek a blanket authority for exception to Statewide Rule 10 for all wells in the Briscoe Ranch (Eagleford) and a Buda formation field in the area. Anadarko did not consider this recommendation to be adverse.

The examiners received Anadarko's amended request for a blanket authority for exception to Statewide Rule 10 for all wells in the Briscoe Ranch (Eagleford) and Amann (Buda) Fields on September 4, 2012. The amended request was noticed to the service list on September 10, 2012, and no protest was received after 10 days.

The application is unopposed and the examiners recommend approval of the requested blanket authority for exception to Statewide Rule 10.

DISCUSSION OF THE EVIDENCE

The Briscoe Ranch (Eagleford) Field is currently contained within Dimmit, La Salle, Maverick and Webb Counties, Texas. The current designated interval for the field is the entire correlative interval from 7,160 feet to 7,535 feet as shown on the log of the TXCO Resources, Inc. - Briscoe Catarina West Lease, Well No. 1 (API No. 42-127-33421), Section 93, Block 8, I&GN RR Co. Survey, A-874, Dimmit County, Texas. This interval includes the entire Eagle Ford formation, which is located between the base of the Austin Chalk formation and the top of the Buda formation.

The Briscoe Ranch (Eagleford) Field is being actively developed with horizontal drainhole wells. The Eagle Ford formation is faulted and steeply dipping in some areas of the field. Anadarko is targeting a 60' thick organic rich zone in the Eagle Ford formation that lies approximately 30 feet above the Buda formation. As a result, Anadarko and some of the other operators are unintentionally entering the top of the Buda formation while drilling the Eagle Ford formation wells. When this happens, it usually takes several hundred feet to steer the well back into the Eagle Ford formation. Anadarko submitted wellbore deviation plots on seven horizontal wells that unintentionally penetrated the Buda formation. The plots depicted several different examples of how penetrating the Buda formation has occurred.

When the horizontal lateral penetrates the Buda formation due to faulting or abnormal dip in the Eagle Ford formation, Anadarko has found that it is extremely difficult to back up and kick the well off in the correct direction. Their experience has been that it is best to abandon the existing lateral and back up to the curve and re-drill the lateral. However, this method results in considerable cost, wasted time and a high risk that the horizontal lateral well will be lost and have to be abandoned.

Anadarko submitted Buda Formation core data from six vertical wells showing that the Buda formation in the subject three counties in the Briscoe Ranch (Eagleford) Field has no reservoir quality. In addition, the closest active Buda production is 54 miles to the northeast in Frio County. Anadarko opined that any production initiated by perforating and

fracture stimulating any portion of the Upper Buda formation will likely come from the Eagle Ford formation. Therefore, not completing the Upper Buda portion of the horizontal drainhole well will cause waste in the Eagle Ford formation. An exception to Statewide Rule 10 is the only avenue for legally completing in the Eagle Ford and Upper Buda formations in the same wellbore.

Anadarko requests a blanket authority for exception to Statewide Rule 10 for all wells in the Briscoe Ranch (Eagleford) and Amann (Buda) Fields. Anadarko also requests that wells which are downhole commingled in the subject fields be assigned to the Briscoe Ranch (Eagleford) Field for proration purposes.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Briscoe Ranch (Eagleford) Field is currently contained within Dimmit, La Salle, Maverick and Webb Counties, Texas.
3. The Briscoe Ranch (Eagleford) Field is currently designated as the correlative interval from 7,160 feet to 7,535 feet as shown on the log of the TXCO Resources, Inc. - Briscoe Catarina West Lease, Well No. 1 (API No. 42-127-33421), Section 93, Block 8, I&GN RR Co. Survey, A-874, Dimmit County, Texas. This interval includes the entire Eagle Ford formation, which is located between the base of the Austin Chalk formation and the top of the Buda formation.
4. The Briscoe Ranch (Eagleford) Field is being actively developed with horizontal drainhole wells.
 - a. The Eagle Ford formation is faulted and steeply dipping in some areas of the field.
 - b. Anadarko E&P Company LP ("Anadarko") is targeting a 60' thick organic rich zone in the Eagle Ford formation that lies approximately 30 feet above the Buda formation.
 - c. Anadarko and some of the other operators are unintentionally entering the top of the Buda formation while drilling the Eagle Ford formation wells.
 - d. When the Buda formation is penetrated, it usually takes several hundred feet to steer the well back into the Eagle Ford formation.
 - e. When the horizontal lateral penetrates the Buda formation, it is extremely difficult to back up in the horizontal lateral and kick the well off in the correct direction. Experience has shown that it is best to

abandon the existing lateral and back up to the curve and re-drill the lateral.

- f. Re-drilling the horizontal lateral results in considerable cost, wasted time and a high risk that the horizontal lateral well will be lost and have to be abandoned.
5. Any production initiated by perforating and fracture stimulating any portion of the Upper Buda formation will likely come from the Eagle Ford formation.
 - a. The Buda formation in the subject three counties in the Briscoe Ranch (Eagleford) Field has no reservoir quality.
 - b. The closest active Buda production is 54 miles to the northeast in Frio County.
 - c. Not completing the Upper Buda portion of the horizontal drainhole well will cause waste in the Eagle Ford formation.
 6. Commingling the Briscoe Ranch (Eagleford) and Amann (Buda) Fields in the subject three counties will maximize recovery and prevent waste in the Eagle Ford formation.

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 blanket authority for exception to Statewide Rule 10 for all wells in the subject three counties in the Briscoe Ranch (Eagleford) and Amann (Buda) Fields will prevent waste and will not harm correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the blanket authority for exception to Statewide Rule 10 for all wells in the subject three counties in the Briscoe Ranch (Eagleford) and Amann (Buda) Fields, as requested by Anadarko E&P Company LP.

Respectfully submitted,


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Laura Miles-Valdez
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