

THE APPLICATION OF NEWFIELD EXPLORATION COMPANY TO CONSIDER EXCEPTION TO RULE 10 FOR ALL WELLS ON ITS ACREAGE IN THE SARITA, EAST (FRIO) AND SARITA, EAST (LOWER FRIO CONS.) FIELDS, KENEDY COUNTY, TEXAS

Heard by: Donna Chandler, Technical Examiner

Hearing Date: July 18, 2007

Appearances:

Dale Miller

Representing:

Newfield Exploration Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Newfield Exploration Company requests exceptions to Statewide Rule 10 for all wells ever completed on its acreage in the Sarita, East (Frio) and Sarita, East (Lower Frio Cons.) Fields. Newfield requests that the commingled wellbores be assigned to the Sarita, East (Lower Frio Cons.) Field for proration purposes.

This application was unopposed and the examiner recommends approval of the requested Rule 10 authority.

DISCUSSION OF THE EVIDENCE

The Sarita, East (Frio) Field was discovered in 1967 and is a non-associated gas field. The field operates under Statewide Rules and is AOF status. There are 15 producing wells on the current proration schedule, operated by Newfield and Exxon Mobil. Cumulative production from the field is approximately 150 BCF of gas. The field interval is from approximately 12,685 feet to 14,850 feet as shown on the log of the Mrs. S.K. East "B" No. 70.

The Sarita, East (Lower Frio Cons.) Field was discovered in 2006 and is a non-associated gas field. This field operates under Statewide Rules and is AOF Status. There are five producing wells in this field, all operated by Newfield. Cumulative production from this field is approximately 18 BCF of gas. The field interval is from 14,850 feet to 17,080 feet as shown on the log of the Mrs. S. K. East "B" No. 70.

Newfield has recently begun developing these Frio reservoirs, with 11 wells completed in 2006-2007. Both the Frio and Lower Frio are geo-pressured reservoirs, with bottomhole pressures in excess of 10,000 psi. It is desirable to complete wells in both

fields simultaneously when the pressures are similar. Additionally, the produce fluids contain CO₂ and H₂S and it is necessary to produce the reserves from both fields in a shorter time period to prevent mechanical failure of the tubulars due to corrosion and/or collapse.

The produced waters from both fields have been analyzed and indicate no scaling tendencies. Should scaling become a problem, Newfield will use inhibitors as necessary. Cross-flow is not expected due to the similar pressures.

Newfield estimates that an additional 225 MMCF of gas will be recovered from each well as a result of commingling and a lower combined economic limit.

The Commission has recently approved a Rule 10 exception for the Mrs. S. K. East "B" No. 74 in the subject fields. This administrative authority was approved in September 2006. For wells on the Mrs. S. K. East "B" lease, the working and royalty interests are the same with respect to both fields. Should an application be made for any other lease which does not have identical working and royalty interest ownership in both fields, the operator must request a hearing on the Rule 10 application.

It is requested that wells which are downhole commingled in the two subject fields be assigned to the Sarita, East (Lower Frio Cons.) Field for proration purposes.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the Sarita, East (Frio) and Sarita, East (Lower Frio Cons.) Fields at least ten days prior to the date of hearing.
2. The two subject fields are non-associated gas fields which operate under Statewide Rules. Both fields are AOF status.
3. There are currently 15 producing wells in the Sarita, East (Frio) Field and 5 producing wells in the Sarita, East (Lower Frio Cons.) Field.
4. Downhole commingling production from these fields will prevent waste by allowing recovery of reserves from both fields before wellbore failure. The reservoirs are geo-pressured and produce corrosive fluids.
5. Incremental recovery as a result of commingling is estimated to be 225 MMCF of gas per well.
6. Cross-flow between the fields is not expected because pressures are similar. Should cross-flow occur, there will be no resulting waste because produced waters do not have scaling tendencies when combined.

7. At least one Rule 10 exception has been administratively approved by the Commission for these two fields.
8. The royalty and working interest ownership of the Mrs. S. K. East "B" lease is identical with respect to both fields.

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 Rule 10 exceptions for all wells operated by Newfield Exploration Company, or its successors, in the Sarita, East (Frio) and Sarita, East (Lower Frio Cons.) Fields will prevent waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested Rule 10 exceptions for all wells operated by Newfield Exploration Company, or its successors, in the Sarita, East (Frio) and Sarita, East (Lower Frio Cons.) Fields, as specified in the attached order.

Respectfully submitted,

Donna K. Chandler
Technical Examiner