

THE APPLICATION OF APACHE CORPORATION TO CONSIDER A NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED GIDDINGS, SOUTH (EAGLEFORD) FIELD, BURLESON AND BRAZOS COUNTIES, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Date of Hearing: May 14, 2008

Appearances:

Bill Spencer
Cary McGregor

Edward Schell
Daryl Mazzanti

Representing:

Apache Corporation

Evolution Petroleum Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Apache Corporation requests that a new field designation called the Giddings, South (Eagleford) Field be approved for its Santa Fe "A" Lease Well No. 2. Apache requests that the following field rules be adopted for the new field:

1. Designation of the field as the correlative interval from 10,210 feet to 10,495 feet as shown on the log of the Santa Fe "A" Lease Well No. 2;
2. Allocation based on 95% deliverability and 5% per well.

There were no protests to this application and it was supported by an offset operator within the 2.5 mile radius of the discovery well. The examiner recommends approval of the new field designation and field rules.

DISCUSSION OF EVIDENCE

Apache Corporation completed its Santa Fe "A" Lease Well No. 2 in March 2008 with perforations in the Eagleford Shale between 10,320 feet and 10,430 feet. On initial test, the well produced at a maximum rate of 443 MCFGPD and 2 BCPD. The well was put on production and cumulative production to date from the well is approximately 3.5 MMCFG and 0.3 MBC.

The new field designation should be approved for the Santa Fe "A" Lease Well No. 2. There are 100 wellbores within a 2½ mile radius of the No. 2 well. However, no well has

ever produced from the Eagleford Shale. All of the production has been from the Georgetown and Austin Chalk formations. The closest Eagleford production is approximately 8.5 miles to the north in the Giddings (Eagleford) Field.

Apache requests that the entire correlative interval between 10,210 feet to 10,495 feet in the Santa Fe "A" Lease Well No. 2 be considered a single field known as the Giddings, South (Eagleford) Field. This interval includes the entire Eagleford Shale section which is situated between the base of the Austin Chalk and the top of the Buda geologic formations.

Apache requests that a two factor allocation formula based on 95% deliverability and 5% per well be adopted for the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. Apache Corporation completed its Santa Fe "A" Lease Well No. 2 in March 2008 with perforations in the Eagleford Shale between 10,320 feet and 10,430 feet.
3. The Santa Fe "A" Lease Well No. 2 is entitled to a new field designation.
 - a. There are 100 wellbores within a 2½ mile radius of the No. 2 well. However, no well has ever produced from the Eagleford Shale. All of the production has been from the Georgetown and Austin Chalk formations.
 - b. The closest Eagleford production is approximately 8.5 miles to the north in the Giddings (Eagleford) Field.
4. The entire correlative interval from 10,210 feet to 10,495 feet in the Santa Fe "A" Lease Well No. 2 should be designated as the Giddings, South (Eagleford) Field.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.

3. Approval of the requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the Giddings, South (Eagleford) Field.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner