

July 7, 2006

OIL AND GAS DOCKET NO. 04-0247622

APPLICATION OF NEWFIELD EXPLORATION COMPANY TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED SARITA, EAST (LOWER FRIO CONS.) FIELD, KENEDY COUNTY, TEXAS

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

DATE OF HEARING: July 7, 2006

APPEARANCES:

REPRESENTING:

Dale Miller

Newfield Exploration Company

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Newfield Exploration Company for a new field designation and field rules for the proposed Sarita, East (Lower Frio Cons.) Field which provide for:

1. The entire combined correlative interval from 14,850' to 17,080' as shown on the Baker Hughes High Definition Induction log Compensated Z-Densilog Compensated Neutron Gamma Ray log of the Newfield Exploration Company, Mrs. S.K. East "B" Lease Well No. 70 (API No. 42-261-31391), De La Garza, S & D Survey, A-37, Kenedy County, Texas should be designated as the Sarita, East (Lower Frio Cons.) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well.

It is also requested that any over production be canceled. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The proposed Sarita, East (Lower Frio Cons.) Field was discovered on February 8, 2006, by completion of the Newfield Exploration, Mrs. S.K. East "B" Lease Well No. 70 through three sets of select perforations from 14,907' to 15,522' subsurface depth. The well potentialized at a highest rate of 30,730 MCFD. The calculated bottomhole pressure was 14,161 psig.

The proposed Sarita, East (Lower Frio Cons.) Field is a new field designation as the well is fault separated from other wells in the lower Frio Formation (the Baffin Bay (Frio) and Sarita, East (Frio) Fields). Cross section well log analysis confirms that the Frio Formation in this area is highly and complexly faulted with numerous sealing faults.

The entire combined correlative interval from 14,850' to 17,080' as shown on the Baker

Hughes High Definition Induction log Compensated Z-Densilog Compensated Neutron Gamma Ray log of the Newfield Exploration Company, Mrs. S.K. East "B" Lease Well No. 70 (API No. 42-261-31391), De La Garza, S & D Survey, A-37, Kenedy County, Texas should be designated as the Sarita, East (Lower Frio Cons.) Field. The proposed consolidated interval is comprised of several recognizable and correlative Frio Sands known as the Frio R, S, T, U, V. These formations are not producing in any of the offsetting wells. The producing intervals are geo-pressured. The completion cost of the well was \$8.9 million. It is estimated that an additional 449 MMCF of gas will be recovered by completing in the zones at the same time because of lowering the economic producing limit of each.

Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement. Cancellation of overproduction will not harm correlative rights as there are no other wells within the fault block.

FINDINGS OF FACT

1. Notice of this hearing was sent to all affected persons in the subject area field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The proposed Sarita, East (Lower Frio Cons.) Field was discovered on February 8, 2006, by completion of the Newfield Exploration, Mrs. S.K. East "B" Lease Well No. 70 through three sets of select perforations from 14,907' to 15,522' subsurface depth.
4. The proposed Sarita, East (Lower Frio Cons.) Field is a new field designation as the well is fault separated from other wells in the lower Frio Formation (the Baffin Bay (Frio) and Sarita, East (Frio) Fields). Cross section well log analysis confirms that the Frio Formation in this area is highly and complexly faulted with numerous sealing faults.
5. The entire combined correlative interval from 14,850' to 17,080' as shown on the Baker Hughes High Definition Induction log Compensated Z-Densilog Compensated Neutron Gamma Ray log of the Newfield Exploration Company, Mrs. S.K. East "B" Lease Well No. 70 (API No. 42-261-31391), De La Garza, S & D Survey, A-37, Kenedy County, Texas should be designated as the Sarita, East (Lower Frio Cons.) Field.
6. Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.
 - a. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

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. Adoption of the proposed new field designation and 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 new field designation and field rules for the Sarita, East (Lower Frio Cons.) Field.

Respectfully submitted,

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