

THE APPLICATION OF NEWFIELD EXPLORATION COMPANY TO CONSIDER A NEW FIELD DESIGNATION AND A TWO FACTOR ALLOCATION FORMULA FOR THE (PROPOSED) PESADIZO, N.W. (FRIO, LWR) FIELD, KENEDY COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on March 5, 2009

Appearances:

Dale E. Miller

Representing:

Newfield Exploration Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Newfield Exploration Company requests that a new field designation called the Pesadizo, N.W. (Frio, Lwr) Field be approved for its John G. Kenedy Jr. No.2. Newfield also requests that the following rules be adopted for the Pesadizo, N.W. (Frio, Lwr) Field:

1. Designation of the field as the correlative interval from 15,700 feet to 17,460 feet as shown on the Gamma Ray Log of the John G. Kenedy Jr. No.2;
2. Allocation based on 95% deliverability and 5% per well.

There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

DISCUSSION OF EVIDENCE

Newfield Exploration Company completed its John G. Kenedy Jr. No.2 in December 2008 with three sets of perforations in the Lower Frio between 17,026 feet and 17,454 feet. On initial test, the well produced at a rate of 9,625 MCF gas, 48 BC and 199 BW with a flowing tubing pressure of 7,855 psi. The well required fracture stimulations at each set of perforations in order to produce.

The new field designation should be approved for the John G. Kenedy Jr. No.2. The nearest production is approximately 1.6 miles to the west, in the Viejos Locos (Frio Lwr) Field at a depth of 15,800 feet. There is additional comparable production within a 2 ½ mile radius of the No. 2 well in the Pesadizo (O-53) Field at a depth of 14,522 feet, however, the two fields are separated by growth faults with a 1,000 foot displacement. Additionally, the John G. Kenedy Jr. No.2 encountered virgin over pressure of 12,392 psig at a depth of 17,026 feet, (0.719 psi/ft pressure gradient) while the discovery well in the

Viejos Locos (Frio Lwr) Field, the S.K. East "B" No. 94 has a bottom hole pressure of 14,807 psi at 15,800 feet (0.937 psi/ft pressure gradient). The difference in pressures and pressure gradients of the two fields is further evidence the reservoirs are not in fluid or pressure communication.

Newfield requests that the entire correlative interval between 15,700 feet to 17,460 feet in the John G. Kenedy Jr. No.2 be considered a single field. This interval includes numerous sand and shale intervals within the Lower Frio. Separate completions in the intervals would not be commercial. It is estimated to cost an additional \$1.2 million per porosity stringer to complete. The individual stingers are of limited reserves. There is an additional increased risk of casing collapse in this geo-pressured zone if the zones are produced individually.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Newfield requests that allocation be based on 95% deliverability and 5% per well 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. Newfield Exploration Company completed its John G. Kenedy Jr. No.2 in December 2008 with three sets of perforations in the Lower Frio between 17,026 feet and 17,454 feet. On initial test, the well produced at a rate of 9,625 MCF gas, 48 BC and 199 BW with a flowing tubing pressure of 7,855 psi.
3. The John G. Kenedy Jr. No.2 is entitled to a new field designation because there are sealing faults separating comparable production within a 2½ mile radius of the subject well.
4. The entire correlative interval from 15,700 feet to 17,460 feet as shown on the Gamma Ray Log of the John G. Kenedy Jr. No.2 should be designated as the Pesadizo, N.W. (Frio, Lwr) Field.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single field.

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 and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the Pesadizo, N.W. (Frio, Lwr) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner