

October 26, 2006

**OIL AND GAS DOCKET NO. 02-0248915**

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**APPLICATION OF NEWFIELD EXPLORATION COMPANY TO CONSOLIDATE THE PROVIDENT CITY, NE. (15,200), PROVIDENT CITY, NE. (14,000) AND ALLEN RANCH (14,800) FIELDS INTO THE PROPOSED PROVIDENT CITY NE (LWR WX. CONS) FIELD, LAVACA AND COLORADO COUNTIES, TEXAS**

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

**DATE OF HEARING:** October 26, 2006

**APPEARANCES:**

Dale Miller

**REPRESENTING:**

Newfield Exploration Company

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unprotested application of Newfield Exploration Company for the Commission to consider consolidating the Provident City, NE. (15,200), Provident City, NE. (14,000), and Allen Ranch (14,800) Fields into a new field, the Provident City NE (Lwr Wx. Cons) Field. The following rules are proposed:

1. The entire correlative interval from 13,492' to 17,450' as shown on the Baker Hughes High Definition Induction Log, Compensated Z-Densilog, Compensated Neutron Log, Gamma Ray log of the Newfield Exploration Company, EPC G.U. 1 Lease Well No. 3, (API No. 42-089-32420), SA & MG RR Co./ R.P. Allen Survey, A-905, Colorado County, Texas should be designated as the Provident City NE (Lwr Wx. Cons) Field.
2. An allocation formula based on 95% deliverability and 5% per well. It is proposed that the allocation formula be suspended.

**DISCUSSION OF THE EVIDENCE**

The Allen Ranch (14,800) Field was discovered in 1984 at 14,827' subsurface depth. The field is governed by Special Field Rules (Order No. 02-0244215, November 1, 2005) that provide for a correlative interval from 14,190' to 16,000' and a two factor allocation formula based on 5% per well and 95% deliverability. The field is classified as Non-Associated Field and the allocation formula has been suspended since 1993. There are two operators in the field and 4 wells.

The Provident City, NE. (15,200) Field was discovered in 2001 at 15,223' subsurface depth. The field is governed by Special Field Rules (Order No. 02-0245198, February 7, 2006 as amended) that provide for a correlative interval from 15,040' to 17,450' and a two factor allocation formula based on 5% per well and 95% deliverability. The field is classified as Non-Associated Field and

the allocation formula has been suspended since 2002. Newfield is the only operator in the field with three wells.

The Provident City, NE. (14,000) Field was discovered in 1984 at 14,002' subsurface depth. The field is governed by Statewide Rules. The field is classified as Non-Associated Field and the allocation formula has been suspended since 1993. Newfield is the only operator in the field with two wells.

The entire correlative interval from 13,492' to 17,450' as shown on the Baker Hughes High Definition Induction Log, Compensated Z-Densilog, Compensated Neutron Log, Gamma Ray log of the Newfield Exploration Company, EPC G.U. 1 Lease Well No. 3, (API No. 42-089-32420), SA & MG RR Co./ R.P. Allen Survey, A-905, Colorado County, Texas should be designated as the Provident City NE (Lwr Wx. Cons) Field. The interval encompasses a correlative package of similar Lower Wilcox sand/shale sequences that are not necessarily uniform and continuous over short distances.

Consolidation of the Provident City, NE. (15,200), Provident City, NE. (14,000), and Allen Ranch (14,800) Fields will provide for the orderly development of the fields and the efficient and effective depletion of the reservoirs. It is estimated that 60,000 MCF incremental gas reserves will be recovered per completion. Well drilling and completion expense is \$12.5 million per well. Re-completion expense of a plug back from a lower interval to an upper interval is \$1.4 million. The expense to drill and complete in all the zones simultaneously is \$13.5 million. Bottomhole pressure data indicates that the reservoirs are uniformly geo-pressured and the gas analysis indicates similar characteristics. Downhole commingling authority was granted to the Newfield, Miller-Allen GU Well No. 1 for all three of the referenced fields in December 2003.

The proposed 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. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended as the allocation formula is currently suspended in each of the three fields.

### **FINDINGS OF FACT**

1. Notice of this hearing was sent to all operators in the subject fields at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Allen Ranch (14,800) Field was discovered in 1984 at 14,827' subsurface depth.
  - a. The field is governed by Special Field Rules (Order No. 02-0244215, November 1, 2005).

- b. The field is classified as Non-Associated Field and the allocation formula has been suspended since 1993.
- 4. The Provident City, NE. (15,200) Field was discovered in 2001 at 15,223' subsurface depth.
  - a. The field is governed by Special Field Rules (Order No. 02-0245198, February 7, 2006 as amended).
  - b. The field is classified as Non-Associated Field and the allocation formula has been suspended since 2002.
- 5. The Provident City, NE. (14,000) Field was discovered in 1984 at 14,002' subsurface depth.
  - a. The field is governed by Statewide Rules.
  - b. The field is classified as Non-Associated Field and the allocation formula has been suspended since 1993.
- 6. The entire correlative interval from 13,492' to 17,450' as shown on the Baker Hughes High Definition Induction Log, Compensated Z-Densilog, Compensated Neutron Log, Gamma Ray log of the Newfield Exploration Company, EPC G.U. 1 Lease Well No. 3, (API No. 42-089-32420), SA & MG RR Co./ R.P. Allen Survey, A-905, Colorado County, Texas should be designated as the Provident City NE (Lwr Wx. Cons) Field.
- 7. Consolidation of the Provident City, NE. (15,200), Provident City, NE. (14,000), and Allen Ranch (14,800) Fields will provide for the orderly development of the fields and the efficient and effective depletion of the reservoirs.
  - a. Incremental reserves will be recovered by 60,000 MCF per completion.
  - b. Overall drilling and completion economics will be significantly improved by \$1.8 million per well for three zones. The expense to drill and complete in all the zones simultaneously is \$13.5 million.
  - c. Bottomhole pressure data indicates that the reservoirs are uniformly geo-pressured and the gas analysis indicates similar characteristics.
  - d. Downhole commingling authority was granted to the Newfield, Miller-Allen GU Well No. 1 for all three of the referenced fields in December 2003.
- 8. The proposed 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.

9. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

**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. Consideration for consolidation of fields and the proposed field rules are a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields and field rules will prevent waste, foster conservation and protect correlative rights.
5. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed consolidation of the Provident City, NE. (15,200), Provident City, NE. (14,000), and Allen Ranch (14,800) Fields into a new field, the Provident City NE (Lwr Wx. Cons) Field and the proposed field rules.

Respectfully submitted,

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