

January 18, 2006

OIL AND GAS DOCKET NO. 02-0245198

APPLICATION OF NEWFIELD EXPLORATION COMPANY TO AMEND THE FIELD RULES FOR THE PROVIDENT CITY, NE. (15,200) FIELD, LAVACA AND COLORADO COUNTIES, TEXAS

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

DATE OF HEARING: December 22, 2005

APPEARANCES:

REPRESENTING:

Dale E. Miller

Newfield Exploration Company

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Newfield Exploration Company to amend the field rules for the Provident City, NE. (15,200) Field, adopted by Order No. 02-0228824, effective August 7, 2001, which currently provide for:

1. The entire combined correlative interval from 15,185' to 15,787' as shown on the High Definition Induction Dual Induction Focused Compensated Densilog Compensated Neutron Gamma Ray Log of the Newfield Exploration Company, Miller Allen Gas Unit Well No. 1 (API No. 42-285-32847), S.A. & M.G. RR Survey, A-442, Lavaca County, Texas should be designated as the Provident City, NE. (15,200) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well. The allocation formula was suspended in September 2002.

Newfield proposes amending the combined correlative interval as follows:

1. The entire combined correlative interval from 15,040' to 17,450' as shown on the Baker Hughes High Definition Induction Compensated Z-Densilog Compensated Neutron Gamma Ray Log of the Newfield Exploration Company, EPC Gas Unit No. 1 Well No. 3 (API No. 42-089-32420), S.A. & M.G. RR/R.P. Allen Survey, A-905, Colorado County, Texas should be designated as the Provident City, NE. (15,200) Field.
2. Rule No. 2 No Change and the allocation formula remain suspended.

DISCUSSION OF THE EVIDENCE

The Provident City, NE. (15,200) Field was discovered in May 2001 by completion of the Newfield Exploration Company, Miller-Allen Gas Unit Well No. 1 through initial perforations from 15,650' to 15,706' subsurface depth. After testing and fracture stimulating these perforations, a sand plug was set and the well was perforated from 15,223' to 15,286'. A new field designation and field rules were adopted in Order 02-0228824, effective August 7, 2001. Newfield Exploration is the only operator in the field with four wells.

Newfield Exploration Company has recently completed its EPC Gas Unit No. 1 Well No. 3 to a total depth of 17,480' and has encountered additional pay sands that could possibly be productive of hydrocarbons. The purpose of this application is to expand the designated correlative interval. Completion of those sands encountered in a wellbore will provide for the economic recovery of reserves which otherwise may go unrecovered. The cost to drill, complete and stimulate a well in the subject field is ±\$9.6 million. The cost to plug back to each sand is \$131,000. Allowing the downhole commingling of all the sands will allow a cost savings of at least \$262,000. The additional recovery per sand is estimated at 409 MMCF of gas depending on the sand.

It is proposed that the allocation formula remain unchanged and suspended.

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 Provident City, NE. (15,200) Field was discovered in May 2001 by completion of the Newfield Exploration Company, Miller-Allen Gas Unit Well No. 1 through initial perforations from 15,650' to 15,706' subsurface depth.
 - a. After testing and fracture stimulating these perforations, a sand plug was set and the well was perforated from 15,223' to 15,286'.
 - b. A new field designation and field rules were adopted in Order 02-0228824, effective August 7, 2001. Newfield Exploration is the only operator in the field with four wells.
4. Newfield Exploration Company completed its EPC Gas Unit No. 1 Well No. 3 to a total depth of 17,480' and encountered additional pay sands that could possibly be productive of hydrocarbons.
5. The entire combined correlative interval from 15,040' to 17,450' as shown on the Baker

Hughes High Definition Induction Compensated Z-Densilog Compensated Neutron Gamma Ray Log of the Newfield Exploration Company, EPC Gas Unit No. 1 Well No. 3 (API No. 42-089-32420), S.A. & M.G. RR/R.P. Allen Survey, A-905, Colorado County, Texas should be designated as the Provident City, NE. (15,200) Field.

6. The allocation formula should remain suspended as there is still a demand for 100% of the gas produced from the field.

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. Amending Field Rule No. 1 will prevent waste, foster conservation and protect correlative rights.
4. Continued suspension of the allocation formula is appropriate pursuant to Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed amended combined correlative interval for the Provident City, NE. (15,200) Field.

Respectfully submitted,

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