

NOTICE OF ADMINISTRATIVE CONSIDERATION OF EXTENSION OF TEMPORARY FIELD RULES FOR THE SUGARKANE (EAGLE FORD) FIELD, BEE, KARNES AND LIVE OAK COUNTIES, TEXAS

REVIEWED BY: Richard D. Atkins, P.E. - Technical Examiner

NOTICE OF INTENT TO EXTEND TEMPORARY FIELD RULES WAS SENT TO ALL OPERATORS IN THE FIELD ON NOVEMBER 22, 2011.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Commission established Temporary Field Rules for the Sugarkane (Eagle Ford) Field, Bee, Karnes and Live Oak Counties, Texas, in Final Order No. 02-0264837, effective June 23, 2010, for a period of eighteen months or until the Commission could review the rules. The Temporary Field Rules were extended until June 22, 2013, in Final Order No. 02-0271674, effective September 13, 2011.

The current rules are as follows:

1. Designation of the field as the entire correlative interval from 11,450 feet to 11,662 feet as shown on the log of the Burlington Resources O & G, Co. LP - Kundt Lease, Well No. 1;
2. Minimum well spacing of 330 feet from lease line and no between well spacing with special provisions for "take points", an "off-lease" penetration point and a 33 foot "box" rule for horizontal drainhole wells;
3. 320 acre gas proration units with 10% tolerance.

Notice of intent to extend Temporary Field Rules was provided to all operators in the field on November 22, 2011. Burlington Resources O & G Co LP ("Burlington") was the original operator requesting the Temporary Field Rules extension. There are currently seven operators on schedule in this field with a total of 36 producing gas wells. No operator that received notice of the subject extension responded to the notice to protest that the Temporary Field Rules be continued for an additional eighteen months.

The examiner recommends that the Temporary Field Rules be extended for a period of an additional eighteen months, until December 22, 2014.

DISCUSSION OF THE EVIDENCE

The Sugarkane (Eagle Ford) Field was established after the separation of the Sugarkane (Cretaceous) Field in Final Order No. 02-0264837, effective June 22, 2010, and the correlative interval was defined from 11,450 feet to 11,662 feet as indicated on the log of the Burlington Resources O & G, Co. LP - Kundt Lease, Well No. 1. The Temporary Field Rules were extended until June 22, 2013, in Final Order No. 02-0271674, effective September 13, 2011. Currently, there are seven operators and 36 producing gas wells carried on the proration schedule. Cumulative production for the field through November 2011 is 73.1 BCFG and 9.2 MMBO.

The field is still under rapid development and due to an ongoing shortage of drilling rigs in the Sugarkane (Eagle Ford) Field, Burlington seeks to have the Temporary Field Rules extended in effect for an additional 18 month period. All operators with wells completed in the Sugarkane (Eagle Ford) Field as of November 22, 2011, did not protest a Temporary Field Rules extension of an additional eighteen months. The extension would be used for further evaluation of reserves and drainage estimates, as more production data from the wells completed in the field would be available. Waiting an additional 18 months will allow the operators to gather crucial evidence and reduce the need for amending the Field Rules after Permanent Field Rules are adopted.

FINDINGS OF FACT

1. Notice of intent to review the Field Rules was provided to all of the operators that were on the proration schedule in the field on November 22, 2011. Burlington was the original operator requesting the eighteen-month continuation of the existing Temporary Field Rules.
2. The Sugarkane (Eagle Ford) Field was established in June 2010 after being split from the Sugarkane (Cretaceous) Field, which was discovered in 2006 with the completion of the Burlington Resources O & G, Co. LP - Kundt Lease, Well No. 1. Currently, there are seven operators and 36 producing gas wells on the proration schedule.
3. The Commission established temporary field rules for the Sugarkane (Eagle Ford) Field, Bee, Karnes, and Live Oak Counties, Texas, in Oil and Gas Docket No. 02-0264837, effective June 22, 2010, for a period eighteen months or until the Commission could review the rules. The Temporary Field Rules were extended until June 22, 2013, in Final Order No. 02-0271674, effective September 13, 2011.
4. The current Field Rules are as follows:

- a. Designation of the field as the entire correlative interval from 11,450 feet to 11,662 feet as shown on the log of the Burlington Resources O & G, Co. LP - Kundt Lease, Well No. 1.
 - b. Minimum well spacing of 330 feet from lease line and no between well spacing with special provisions for "take points", an "off-lease" penetration point and a 33 foot "box" rule for horizontal drainhole wells.
 - c. 320 acre gas proration units with 10% tolerance.
5. All operators with wells completed in the Sugarkane (Eagle Ford) Field, as of November 22, 2011, did not protest a Temporary Field Rules extension of an additional eighteen month period, until December 22, 2014.

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 of Field Rules, a determination of their effectiveness and appropriate actions is a matter within the Commission's jurisdiction.
4. Continuing the Temporary Field Rules as temporary will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission extend the Temporary Field Rules for the Sugarkane (Eagle Ford) Field for an additional period of eighteen months, until December 22, 2014, as requested by Burlington Resources O & G Co LP.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner