

THE APPLICATION OF ANADARKO E&P COMPANY LP TO AMEND FIELD RULE NO. 2 FOR THE OAK HILL (COTTON VALLEY) FIELD, GREGG, HARRISON, PANOLA, AND RUSK COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: February 15, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Ana Maria Marsland-Griffith
David Christian

Anadarko E&P Company LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Oak Hill (Cotton Valley) Field were adopted in Final Order No. 6-67,176, effective May 31, 1977, as amended. The current Field Rule No. 2 in effect for the field is summarized as follows:

2. 467'-467' well spacing, no minimum between well spacing between vertical and horizontal drainhole wells with special provisions for "take points" and an "off-lease" penetration point for horizontal drainhole wells.

Prior to the hearing, Anadarko E&P Company LP ("Anadarko") requested that Field Rule No. 2 be amended to provide for 100' well spacing for the first and last take points in horizontal drainhole wells. To avoid a protest at the hearing, Anadarko amended its request to provide for 330' well spacing for the first and last take points in horizontal drainhole wells.

The application was unopposed and the examiners recommend that Field Rule No. 2 for the Oak Hill (Cotton Valley) Field be amended, as proposed by Anadarko.

DISCUSSION OF THE EVIDENCE

The Oak Hill (Cotton Valley) Field was discovered in November 1976 at an average

depth of 10,200 feet. The field is classified as associated and there are 1,836 producing gas wells, four producing oil wells and numerous operators carried on the proration schedules. The field operates under Field Rules that provide for 467'-467' well spacing with no minimum between well spacing for vertical and horizontal drainhole wells and 160 acre gas units with optional 40 acre density and 40 acre oil units. Cumulative production from the field through January 2012 is 1.9 TCFG and 5.9 MMBO.

Anadarko is proposing to further develop the field by drilling additional infill horizontal wells and requests that Field Rule No. 2 be amended to allow for 330' well spacing for the first and last take points in horizontal drainhole wells. Anadarko submitted a micro-seismic fracture width graph for one of their wells which showed that each frac stage would have a fracture width of approximately 300 feet, which equates to a 150 foot half length fracture width. Since the proposed 330' well spacing for the first and last take points will allow horizontal drainhole wells to be approximately 130' closer to the lease line, Anadarko believes that this spacing will increase the ultimate recovery from the Cotton Valley formation. The micro-seismic data also supports the closer lease line spacing, as the half length fracture width is only 150'.

Anadarko also requests that the allocation formula remain suspended, as there is a 100% market demand for all of the gas produced from the field.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Oak Hill (Cotton Valley) Field was discovered in November 1976 at an average depth of 10,200 feet.
 - a. The field is classified as associated and there are 1,836 producing gas wells, four producing oil wells and numerous operators carried on the proration schedules.
 - b. The field operates under Field Rules that provide for 467'-467' well spacing with no minimum between well spacing for vertical and horizontal drainhole wells and 160 acre gas units with optional 40 acre density and 40 acre oil units.
3. The proposed 330' well spacing for the first and last take points is appropriate for the field.
 - a. The proposed rule will allow approximately an additional 130 feet of producing drainhole length.

- b. The micro seismic data supports the closer leaseline spacing, as the half length fracture width is only 150'.
- c. The 330' lease line spacing for the first and last take points will increase the ultimate recovery from the Cotton Valley formation.
- 4. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all the gas produced from the 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. Amending Field Rule No. 2 for the Oak Hill (Cotton Valley) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend Field Rule No. 2 for the Oak Hill (Cotton Valley) Field, as requested by Anadarko E&P Company LP.

Respectfully submitted,

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Technical Examiner

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