

THE APPLICATION OF PETROHAWK OPERATING COMPANY TO AMEND THE FIELD RULES FOR THE PHANTOM (WOLFCAMP) FIELD, LOVING, REEVES, WARD AND WINKLER COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Terry Johnson - Legal Examiner

HEARING DATE: August 10, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

John Soule
Taylor Lesley
Patricia Abney

Petrohawk Operating Company

OBSERVERS:

Michael McElroy

Cimarex Energy Co.

Michael McElroy

Energen Resources Corp.

Mathew Baab
Brian Ball

Arrington Oil&Gas Operating LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Phantom (Wolfcamp) Field were adopted in Final Order No. 08-0253661, effective December 18, 2007, as amended. The Field Rules are summarized as follows:

1. Designated correlative interval from 10,455 feet to 11,326 feet as shown on the log of the Amtex Energy, Inc. - Lee 128 Lease, Well No. 1 (API No. 42-475-30939);
2. 467' lease line spacing and for the perpendicular distance along a horizontal drainhole, 200' lease line spacing for the first and last take points and no between well spacing with special provisions for "take points", "off-lease" penetration point and a 50 foot "box" rule for horizontal drainhole wells;

3. 320 acre units with optional 40 acre density and a formula for the assignment of additional acreage to horizontal drainhole wells;
4. Gas allocation based on 95% deliverability and 5% per well with oil allocation based on 9.0 barrels of oil per proration unit acre;
5. Exception to Statewide Rule 13(b)(5)(a) regarding the requirement of having to be produced through tubing;
6. Exception to the provisions of Statewide Rule 51(a) regarding the 10 day rule for filing the potential test after testing of the well.

Petrohawk Operating Company ("Petrohawk") requests that Field Rule No. 1 be amended and Field Rule No. 7 be adopted, as shown below:

1. Designated correlative interval from 9,515 feet to 12,447 feet as shown on the log of the Petrohawk Operating Company - Oxy Fee "24" Lease, Well No. 1 (API No. 42-389-32637);
7. Special provisions for "stacked lateral" horizontal drainhole wells.

The application is unopposed and the examiners recommend that the Field Rules for the Phantom (Wolfcamp) Field be amended, as proposed by Petrohawk.

DISCUSSION OF EVIDENCE

The Phantom (Wolfcamp) Field was discovered in June 1983 at an average depth of 11,000 feet. The field is classified as associated-100% AOF and Field Rules currently provide for 467'-0' well spacing and 320 acre units with optional 40 acre density. There are 98 producing oil wells, one producing gas well and 15 operators carried on the proration schedules. Cumulative production from the field through June 2012 is 11.6 MMBO and 24.3 BCFG.

Petrohawk is developing the Phantom (Wolfcamp) Field by drilling horizontal drainhole wells. Petrohawk requests that the field be defined as the correlative interval from 9,515 feet to 12,447 feet as shown on the log of the Petrohawk Operating Company - Oxy Fee "24" Lease, Well No. 1 (API No. 42-389-32637), Section 24, Block C18, PSL Survey, A-2150, Reeves County, Texas. The correlative interval includes the Third Bone Spring member and the entire Wolfcamp formation.

Petrohawk also requests that a Field Rule be adopted to accommodate the drilling of stacked horizontal lateral wells. The gross thickness of the field interval is almost 3,000 feet. Petrohawk believes that several separate laterals may be necessary to effectively develop the reservoir with horizontal wells. The rule would allow stacked horizontal laterals

within the correlative interval that are drilled from different surface locations to be considered a single well for regulatory purposes. It is proposed that a stacked lateral be defined to be multiple horizontal drainholes which are drilled from different surface locations.

Petrohawk proposes 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 hearing was given to all persons entitled to notice and no protests were received.
2. The Phantom (Wolfcamp) Field was discovered in June 1983 at an average depth of 11,000 feet.
 - a. The field is classified as associated-100% AOF and Field Rules currently provide for 467'-0' well spacing and 320 acre units with optional 40 acre density.
 - b. There are 98 producing oil wells, one producing gas well and 15 operators carried on the proration schedules.
 - c. Petrohawk is redeveloping the Phantom (Wolfcamp) Field by drilling additional horizontal drainhole wells.
3. The Phantom (Wolfcamp) Field should be defined as the correlative interval from 9,515 feet to 12,447 feet as shown on the log of the Petrohawk Operating Company - Oxy Fee "24" Lease, Well No. 1 (API No. 42-389-32637), Section 24, Block C18, PSL Survey, A-2150, Reeves County, Texas. The correlative interval includes the Third Bone Spring member and the entire Wolfcamp formation.
4. The proposed "stacked lateral" rule will allow stacked horizontal laterals within the field correlative interval that are drilled from different surface locations to be considered a single well for regulatory purposes, which will facilitate the additional recovery of oil and gas reserves.
5. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all of 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 the Field Rules for the Phantom (Wolfcamp) 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 the Field Rules for the Phantom (Wolfcamp) Field, as requested by Petrohawk Operating Company.

Respectfully submitted,

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Technical Examiner

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Legal Examiner