

OIL AND GAS DOCKET NO. 8A-0268006

THE APPLICATION OF XTO ENERGY, INC. TO AMEND FIELD RULE NO. 3 FOR THE RUSSELL, NORTH (DEVONIAN) FIELD, GAINES COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner

HEARING DATE: December 2, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

David Gross
Charles Ways

XTO Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Russell, North (Devonian) Field were adopted in Final Order No. 8-22,139, effective October 29, 1951, as amended. The Field Rules are summarized as follows:

1. Designation of the field as the entire correlative interval from 11,114' to 12,088' as shown on the log of the XTO Energy Inc.'s H&J Sec 439D Lease, Well No. 2;
2. 330'-0' well spacing;
3. 40 acre oil units with optional 20 acre density;
4. Allocation based on 75% acreage and 25% per well with a MER of 275 BOPD top oil allowable.

XTO Energy, Inc. ("XTO") requests that Field Rule No. 3 be amended to eliminate the requirement for the filing of individual well proration unit plats.

The application was unopposed and the examiner recommends that Field Rule No. 3 for the Russell, North (Devonian) Field be amended, as proposed by XTO.

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DISCUSSION OF EVIDENCE

The Russell, North (Devonian) Field was discovered in 1948 at a depth of 11,125 feet. Special Field Rules were adopted pursuant to Order No. 8-22,139, effective October 29, 1951, as amended. XTO took over field operations in a majority portion of the field in 2004. Cumulative production from XTO's leases through December 2010 is 38.2 MMBO.

XTO is currently developing the Russell, North (Devonian) Field by drilling multiple horizontal drainholes from the existing vertical wells. The horizontal drainholes are targeting Upper or Lower Devonian productive intervals that have approximately 100 feet of vertical separation. The vertical wells are treated as a single well for proration purposes. On a plat, the horizontal drainholes from different wells intersect and cross, but are not in communication due to the vertical separation. The overlap is causing the drawing of proration unit plats to be impractical, as the Field Rules do not allow for the double assignment of acreage. As a result, XTO is requesting that the filing of individual well proration unit plats not be required.

Approximately 90% of the horizontal drilling is occurring in the Upper Devonian. XTO is concentrating most the Lower Devonian horizontal drilling in the western portion of the field, where a structural high exists. The Lower Devonian is above the oil water contact mainly over this structural high. Since XTO began the horizontal drilling program oil production increased from 175 BOPD to 3,000 BOPD. XTO plans to drill an additional 6 to 14 laterals per year. Each lateral will be approximately 1,200 to 1,400 feet in length.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Russell, North (Devonian) Field was discovered in 1948 at a depth of 11,125 feet. Special Field Rules were adopted pursuant to Order No. 8-22,139, effective October 29, 1951, as amended.
3. XTO is currently developing the Russell, North (Devonian) Field by drilling multiple horizontal drainholes from the existing vertical wells.
 - a. The horizontal drainholes are targeting Upper or Lower Devonian productive intervals that have approximately 100 feet of vertical separation.
 - b. Approximately 90% of the horizontal drilling is occurring in the Upper Devonian. The Lower Devonian is being drilled horizontally in the western portion of the field where it is located at a structural high and above the oil water contact.

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- c. On a plat, the horizontal drainholes from different wells intersect and cross, but are not in communication due to the vertical separation.
 - d. The overlap is causing the drawing of proration unit plats to be impractical, as the Field Rules do not allow for the double assignment of acreage.
- 4. Oil production has increased from 175 BOPD to 3,000 BOPD with the drilling of the horizontal wells.
 - 5. Elimination of the requirement to file individual well proration unit plats will reduce unnecessary paperwork.

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. 3 for the Russell, North (Devonian) 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 examiner recommends that the Commission amend Field Rule No. 3 for the Russell, North (Devonian) Field , as proposed by XTO Energy, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner