

OIL AND GAS DOCKET NO. 10-0262403

THE APPLICATION OF CHESAPEAKE OPERATING, INC. TO AMEND FIELD RULE NO. 2 FOR THE LARD RANCH (GRANITE WASH -C-) FIELD, ROBERTS COUNTY, TEXAS

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

HEARING DATE: August 14, 2009

APPEARANCES:

Glenn E. Johnson
James M. Clark

Carey P. Holtzendorf

REPRESENTING:

Chesapeake Operating, Inc.

Latigo Petroleum, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Lard Ranch (Granite Wash -C-) Field were originally adopted in Docket No. 10-0250147, effective February 23, 2007. The rules currently in effect for the field are summarized as follows:

1. Designation of a field correlative interval;
2. Well spacing of 467'-0'.

Chesapeake Operating, Inc. ("Chesapeake") requests that Field Rule No. 2 be amended to 660' well spacing between vertical to vertical wells and horizontal to horizontal wells with no between well spacing between vertical and horizontal wells and include a special provision that distances for horizontal wells be based on the closest "take point" in a horizontal well. Chesapeake had also requested off-lease penetration points with proper notice, but withdrew this request at the call of the hearing.

The application was unopposed and the examiner recommends that Field Rule No. 2 for the Lard Ranch (Granite Wash -C-) Field be amended, as proposed by Chesapeake.

DISCUSSION OF EVIDENCE

The Lard Ranch (Granite Wash -C-) Field was discovered in May 1980. The field is an associated gas field with 41 gas wells and four oil wells carried on the proration schedules. The allocation formula is currently suspended. Cumulative production from the field through June 2009 is 21.6 BCFG and 498.2 MBO.

Operators are currently developing the field with horizontal wellbores. The proposed well spacing of 467' from lease lines and 660 feet between wells with the elimination of a minimum spacing between horizontal and vertical wells will accommodate horizontal drilling and allow operators to maximize drainhole length.

Chesapeake requests that a field rule be adopted which includes language relevant to measurement of distances to lease lines for horizontal drainhole wells. Chesapeake's proposed rule specifies that, for purposes of lease line and between-well spacing, the nearest "take point" in a horizontal well be used. This take-point could be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased well. Similar rules have been adopted in many Granite Wash fields in the area, including the Hemphill (Granite Wash) and Mendota, NW. (Granite Wash) Fields.

The proposed rule would allow operators to drill horizontal wells with penetration points, as defined by Rule 86, at distances closer than 467 feet to a lease line, as long as no take-point is closer than 467 feet to any lease line. Horizontal drainhole length on a lease is then maximized, resulting in the additional recovery of gas.

For purposes of assignment of additional acreage pursuant to Rule 86, it is proposed that the distance between the first and last take-point in a horizontal well be used.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Lard Ranch (Granite Wash -C-) Field was discovered in May 1980. The field is an associated gas field with 41 gas wells and four oil wells carried on the proration schedules.
3. Field rules for the Lard Ranch (Granite Wash -C-) Field provide for a designated interval, 467'-0' well spacing.

4. Operators are currently developing the field with horizontal wellbores. The proposed well spacing of 467' from lease lines and 660 feet between wells with the elimination of a minimum spacing between horizontal and vertical wells will accommodate horizontal drilling.
5. A spacing rule which utilizes "take-points" in a horizontal well for determination of distances to lease lines will prevent waste and will not harm correlative rights.
 - a. The Granite Wash is a tight formation and is not commercially productive unless fracture-stimulated.
 - b. A take-point in a horizontal well in this field may be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased portion of the wellbore.
 - c. Adoption of the proposed rule would allow operators to drill horizontal wells with penetration points, as defined by Rule 86, at distances closer than 467 feet to a lease line, as long as no take-point is closer than 467 feet to any lease line.
 - d. Adoption of the proposed rule will allow the horizontal drainhole length on a lease to be maximized.
6. For purposes of assignment of additional acreage pursuant to Rule 86, the distance between the first and last take-point in a horizontal well should be used.

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 Lard Ranch (Granite Wash -C-) 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. 2 for the Lard Ranch (Granite Wash -C-) Field, as proposed by Chesapeake.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner