

THE APPLICATION OF LINN OPERATING, INC. TO AMEND FIELD RULES FOR THE ALLISON BRITT (12350) FIELD, WHEELER COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on May 3, 2010

Appearances:

John Camp
Rick Johnston
Miles C. Wilke

Bill Spencer

Representing:

Linn Operating, Inc.

Chesapeake

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Allison Britt (12350) Field were adopted in Order No. 10-0262074, effective July 21, 2009. The rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 11,860 feet to 15,182 feet as shown on the log of the Grayson Well No. 1-32;
2. 467'-660' well spacing; with no limitation between vertical and horizontal wells and special language for "take points" in horizontal wells;
3. Special provisions for stacked laterals wells;
4. 320 acre density; optional 160 acre density;
5. Allocation based on 95% deliverability and 5% well, with AOF status.

Linn Operating, Inc. requests that the Rule 2 be amended to allow off-lease penetration points. The examiner recommends that the field rules for the Allison Britt (12350) Field be amended as proposed by Linn Operating, Inc.

DISCUSSION OF EVIDENCE

The Allison Britt (12350) Field was discovered in October 1979 at a depth of 12,354 feet. The field is designated as an associated field with 72 gas wells and 2 oil wells in the field. Linn Operating operates one of the wells in the field. Cumulative production from the field is 51.1 BCF of gas and 1,632 MBO. The field operates under Special Rules that allow 320/160 acre density and 467'/660', 0' between vertical/horizontal well spacing, take point language, provisions for stacked laterals and the allocation formula is currently suspended.

Operators are currently developing similar Granite Wash fields in the area with horizontal wellbores. Linn requests similar horizontal well rules that are approved for other horizontal plays in Texas.

Linn requests that field Rule 2 for the subject field provide for off-lease penetration points. Statewide Rule 86 requires that the penetration point of a horizontal drainhole be on the lease. In some cases, it is beneficial to penetrate the reservoir off lease, while still having "take points" no closer to lease lines than allowed under the field rules. Similar rules allowing offsite penetration points have been adopted in other fields, after notice to the mineral owners of the off-lease tract on which the penetration point is to be located. A wellbore requires up to 600 feet of lateral distance to turn from vertical to horizontal. By allowing off-lease penetration an additional 330 feet of the reservoir is exposed to the horizontal lateral and drained. These reserves are estimated to be an additional 10% of a well's original EUR. These reserves would go unrecovered if off-lease penetration is not approved.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Allison Britt (12350) Field is an associated field with 72 gas wells and 2 oil wells which operates under Special Rules and has AOF status. The field is under going horizontal development.
3. The Allison Britt (12350) Field was discovered in October 1979 at a depth of 12,354 feet. The field is designated as an associated field with 72 gas wells and 2 oil wells in the field. Cumulative production from the field is 51.1 BCF of gas and 1,632 MBO.
4. A vertical well completed in the Allison Britt (12350) Field requires up to 600 feet of lateral distance to complete a turn from vertical to horizontal.

5. Allowing off-lease penetration points, after notice to mineral owners of the offsite tract, will result in maximizing the producing drainhole length, thereby increasing ultimate recovery from horizontal drainhole wells.
6. A typical horizontal well may gain up to 330 feet of horizontal drainhole contact with the reservoir. The gain in contact with the reservoir it is estimated to increase the ultimate recovery of a well by 10%.
7. Numerous other Granite Wash and shale fields that are developed with horizontal wells have adopted similar rules to help maximize recovery and prevent waste.

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 Allison Britt (12350) 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 the field rules for the Allison Britt (12350) Field as proposed by Linn Operating, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner