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HEARINGS SECTION

RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 10-0264563

THE APPLICATION OF NEWFIELD EXPL. MID-CON. INC. TO AMEND THE FIELD RULES FOR THE STILES RANCH (GRANITE WASH CONS.) FIELD, WHEELER COUNTY, TEXAS

Heard by: Donna K. Chandler on May 11, 2010

Appearances:

David Gross
Dale Miller

Bill Spencer

Representing:

Newfield Expl. Mid-Con. Inc.

Chesapeake Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The field rules for the Stiles Ranch (Granite Wash Cons.) Field include provisions for stacked lateral wells. Included in the provisions is language requiring that surface locations of horizontal drainholes be on the same lease and be no more than 250 feet apart. Newfield requests that the stacked lateral rules for the field be amended to provide for off-lease surface locations of horizontal drainholes for stacked laterals, after notice to mineral owners of the offsite tract. Newfield also requests that the maximum 250 feet requirement be deleted.

In addition, Newfield requests that the D. Britt 4-3H (API 483 32824) and the D. Britt 4-6H (API 483 32876) be considered a Stacked Lateral well.

This application was unopposed and the examiner recommends that the field rules for the Stiles Ranch (Granite Wash Cons.) Field be amended as proposed by Newfield. The examiner also recommends that the D. Britt 4-3H and the D. Britt 4-6H be considered a Stacked Lateral well.

DISCUSSION OF THE EVIDENCE

The Stiles Ranch (Granite Wash Cons.) Field operates under field rules with special provisions for horizontal drainhole wells, including provisions for stacked lateral wells.

These rules were adopted on January 15, 2009 in Docket No. 10-0259374. The language in the stacked lateral rules are based on the language first adopted by the Commission in the Newark, East (Barnett Shale) Field.

The gross thickness of the Granite Wash in this field is almost 4,000 feet. The Barnett Shale is only about 500 feet thick. In planning development of the subject field, it has been determined that more stacked laterals will be required to develop this thick reservoir than was anticipated by the stacked lateral rules. Newfield foresees that laterals will need to be drilled from multiple surface locations, including some locations off lease. Amending the rule as proposed will allow stacked lateral drainholes to be simultaneously drilled from multiple surface locations. Deleting the 250 foot surface location maximum distance will facilitate future workovers on wells without having to shut-in other wells which may have wellheads clustered close together.

The stacked lateral rules also require that each point of a stacked lateral horizontal drainhole be no more than 300 feet in a horizontal direction from any point along any other horizontal drainhole of the same stacked lateral well. Newfield proposes no change to this field rule. The field rules also include take point language for determination of lease line distances. With the take point language considered, the placement of surface locations really have no bearing on the final determination of whether horizontal drainholes qualify as a stacked lateral.

Newfield requests that the D. Britt 4-3H (API 483 32824) and the D. Britt 4-6H (API 483 32876) be considered a Stacked Lateral well. The No. 4-3H has been completed and is producing. The No. 4-6H has been drilled but not yet completed. The surface locations for the two wells are on different leases and more than 250 feet apart. Under the proposed amended rules, these wellbores meet the requirements for consideration as a stacked lateral.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. Field rules for the Stiles Ranch (Granite Wash Cons.) Field include provisions for stacked laterals, including a requirement that surface locations of horizontal drainholes of a stacked lateral be on the same lease and be no more than 250 feet apart. These rules were adopted on January 15, 2009 in Docket No. 10-0259374.
3. Given that the gross thickness of the Granite Wash in this field is almost 4,000 feet, multiple stacked laterals will be required to develop the reservoir.

4. Because the field rules for the Stiles Ranch (Granite Wash Cons.) Field provide for spacing based on "take points", the placement of surface locations does not determine whether horizontal drainholes qualify as a stacked lateral.
5. The D. Britt 4-3H (API 483 32824) and the D. Britt 4-6H (API 483 32876) meet the requirements of being considered a Stacked Lateral well under the proposed rules. The No. 4-3H has been completed and is producing. The No. 4-6H has been drilled but not yet completed. The surface locations for the two wells are on different leases and more than 250 feet apart.

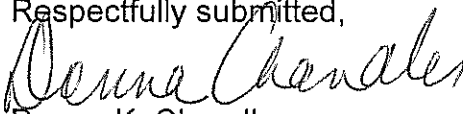
CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Amending the field rules for the Stiles Ranch (Granite Wash Cons.) Field is necessary to prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the field rules for the Stiles Ranch (Granite Wash Cons.) Field be amended as proposed by Newfield Expl. Mid-Con, Inc. It is also recommended that the D. Britt No. 4-3H and D. Britt No. 4-6H wells be considered a stacked lateral.

Respectfully submitted,



Donna K. Chandler
Technical Examiner