

**THE APPLICATION OF LATIGO PETROLEUM, INC. TO AMEND FIELD RULE NOS. 2 AND 4 FOR THE MEG (GRANITE WASH) FIELD, HEMPHILL COUNTY, TEXAS**

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

**DATE OF HEARING:** December 3, 2010

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

George C. Neale  
Rick Johnston

Latigo Petroleum, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Field Rules for the Meg (Granite Wash) Field were adopted in Final Order No. 10-76,582, effective June 15, 1981, as amended, and are summarized as follows:

1. Designation of the field as the correlative interval from 10,830 feet to 12,250 feet, as shown on the log of the Latigo's, Moore 63 Lease Well No. 3;
2. 467'-660' well spacing for horizontal and vertical wells, with no limitation between vertical and horizontal wells and special language for "take points" and an off-lease penetration point in horizontal wells;
3. 160 acre density plus 10% tolerance with optional 40 acre units, no P-15 or proration unit plats;
4. Special provisions for stacked lateral wells;
5. Allocation based on 95% deliverability/potential and 5% per well with AOF status.

Latigo Petroleum, Inc. ("Latigo") requests that Field Rule No. 2 be amended to provide for no between well spacing. Latigo also requests that Field Rule No. 4 be amended to provide for "stacked laterals" for horizontal drainhole wells from different surface locations and that the allocation formula remain suspended.

The application was unopposed and the examiner recommends that Field Rule Nos. 2 and 4 for the Meg (Granite Wash) Field be amended, as proposed by Latigo.

### **DISCUSSION OF EVIDENCE**

The Meg (Granite Wash) Field was discovered in December 1980 at a depth of 10,918 feet. The field is designated as a non-associated field and there are 22 producing gas wells and three operators carried on the proration schedule. The field operates under Special Field Rules that provide for 467'/660' well spacing, 160 acre gas units with optional 40 acre density and the allocation formula is currently suspended. Cumulative production from the field through September 2010 is 11.0 BCFG and 222.5 MBO.

Operators are currently developing the field with horizontal wellbores. Latigo requests that the well spacing be amended to 467' lease line and no between well spacing requirement. This spacing will allow flexibility in placing horizontal wells and promote development of the field.

Latigo also requests that Field Rule No. 4 be amended to provide for "stacked laterals" for horizontal drainhole wells from different surface locations. The gross thickness of the Granite Wash field interval is almost 1,400 feet. Within the correlative interval there are three distinct intervals that are productive, the Upper, Middle and Lower Granite Wash. Latigo believes that several separate laterals may be necessary to effectively develop the reservoirs with horizontal wells. The change would allow stacked horizontal laterals within the Granite Wash correlative interval that are drilled from different surface locations to be considered a single well for regulatory purposes.

Similar Field Rules have been adopted in other tight reservoirs, including the Hardwood (Cotton Valley) and Carthage (Haynesville Shale) Fields, as well as, the Newark, East (Barnett Shale) Field. The allocation formula is currently suspended and Latigo requests that it remain suspended, as there is a 100% market 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 Meg (Granite Wash) Field was discovered in December 1980 at a depth of 10,918 feet. The field is designated as a non-associated field and there are 22 producing gas wells and three operators carried on the proration schedule.

3. The field operates under Special Field Rules that provide for 467'/660' well spacing, 160 acre gas units with optional 40 acre density and the allocation formula is currently suspended.
4. The proposed minimum lease line spacing of 467 feet and no between well spacing limitation will provide flexibility in developing the field.
5. The proposed "stacked lateral" rule for the Meg (Granite Wash) Field will allow stacked horizontal laterals within the Granite Wash 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 gas.
6. Similar rules have been adopted in other tight reservoirs, including the Hardwood (Cotton Valley) and Carthage (Haynesville Shale) Fields, as well as, the Newark, East (Barnett Shale) Field.
7. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all 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 Field Rule Nos. 2 and 4 for the Meg (Granite Wash) 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 Nos. 2 and 4 for the Meg (Granite Wash) Field, as proposed by Latigo Petroleum, Inc.

Respectfully submitted,

Richard D. Atkins, P.E.  
Technical Examiner