

THE APPLICATION OF LINN OPERATING, INC. TO AMEND FIELD RULES FOR THE FRYE RANCH (CONSOLIDATED) FIELD, WHEELER COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on March 24, 2011

Appearances:

H. Philip Whitworth
Thomas H. (Buddy) Richter, P.E.
Jay E. Buckley

Representing:

Linn Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Frye Ranch (Consolidated) Field were last amended in Order No. 10-0265348, effective May 18, 2010. The rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 11,754 feet to 15,431 feet as shown on the log of the Ona Black Well No. 1;
2. 467'-933' well spacing; with no limitation between vertical and horizontal wells and special language for "take points" in horizontal wells, off-lease penetration;
3. 320 acre density; optional 40 acre density;
4. Allocation based on 95% deliverability and 5% acreage, with AOF status.
5. Stacked Lateral rules.

Linn Operating, Inc. requests that Rule 2 be amended to allow 0' between well spacing and that Rule 3 be amended to eliminate the requirement to file proration unit plats for each well. The examiner recommends that the field rules for the Frye Ranch (Consolidated) Field be amended as proposed by Linn Operating, Inc.

DISCUSSION OF EVIDENCE

The Frye Ranch (Consolidated) Field was consolidated in October 2007 by renaming the Frye Ranch (Granite Wash 'A') Field and expanding the designated interval to include the Des Moines and Britt intervals. The field is designated as an associated field with 78 gas wells and 12 oil wells in the field. Linn Operating operates 19 gas wells and 11 oil wells in the field. The field has a cumulative production of 34.7 BCF of gas and 725 MBO. The field operates under Special Rules that allow 320/40 acre density and 467'/933', 0' between vertical/horizontal well spacing, take point language, off-lease penetration, stacked laterals and the allocation formula is currently suspended.

Operators are beginning to develop the field with stacked laterals. Within the correlative interval there are thirteen distinct intervals with three containing high liquid hydrocarbon content. The primary target for stacked lateral drilling is the Britt interval followed by the Carr and then the Granite Wash F. The Upper Atoka Wash primarily contains dry gas.

Linn requests that field rules for the subject field be amended to allow 0' between well spacing for all wells. Currently, field rules allow 0' between well spacing between vertical and horizontal wells only. Linn requests the additional flexibility as it plans utilize existing wellbores and re-enter abandoned wells that may not be compliant with Rule 37 spacing requirements. With stacked laterals some laterals are completed at different depths causing the appearance of laterals being too close to each other. With lateral being drilled end to end a "shadow zone" of 933 feet would be created that would leave 933 feet of the reservoir undrained, leaving reserves behind. Additionally surface features such as existing gas pipelines, existing overhead powerlines, creeks and swampy areas exist which will require surface location flexibility in placing a well.

It is also requested that Rule 3 be amended to eliminate the requirement to file individual proration unit plats for each well while the field is 100% AOF. With the gross thickness of the Frye Ranch (Consolidated) Field interval is almost 3,700 feet, Linn will be drilling laterals that may appear to be too close to each other. Redrawing one unit plat will cause the redrawing other unit plats. The filing and refiling of plats will cause an unnecessary administrative burden for Linn and Commission staff.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Frye Ranch (Consolidated) Field is an associated field with 78 gas wells and 12 oil wells which operates under Special Rules and has AOF status. The field is under going active horizontal development.

3. The Frye Ranch (Consolidated) Field was consolidated in October 2007 by renaming the Frye Ranch (Granite Wash 'A') Field and expanding the designated interval to include up to thirteen potentially productive intervals. The field has a cumulative production of 34.7 BCF of gas and 725 MBO
4. Operators are beginning to develop the field with stacked laterals. Within the thirteen distinct intervals, three contain high liquids hydrocarbon content.
5. Currently, field rules allow 0' between well spacing between vertical and horizontal wells only.
6. Linn needs additional flexibility as it plans utilize existing wellbores and re-enter abandoned wells that may not be compliant with Rule 37 spacing requirements.
7. With stacked laterals some laterals are completed at different depths causing the appearance of laterals being to close to each other.
8. With laterals being drilled end to end a "shadow zone" of 933 feet wide would be created that would leave 933 feet of the reservoir undrained, leaving reserves behind.
9. Additionally surface features such as existing gas pipelines, existing overhead powerlines, creeks and swampy areas exist which will require surface location flexibility in placing a well.

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 Frye Ranch (Consolidated) 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 Frye Ranch (Consolidated) Field as proposed by Linn Operating, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner