

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0278619

THE APPLICATION OF LINN OPERATING, INC. TO AMEND FIELD RULE NO. 2 FOR
THE MEG (GRANITE WASH) FIELD, HEMPHILL COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Terry Johnson- Legal Examiner

DATE OF HEARING: October 22, 2012

APPEARANCES: REPRESENTING:

APPLICANT:

Flip Whitworth
Rick Johnston

Linn Operating, 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'-0' well spacing 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.

Linn Operating, Inc. ("Linn Operating") requests that Field Rule No. 2 be amended to provide for dual lease line spacing that allows the first and last take point to be within 200 feet of the lease line. The application was unopposed and the examiner recommends that Field Rule No. 2 for the Meg (Granite Wash) Field be amended, as proposed by Linn Operating.

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 45 producing gas wells and four operators carried on the proration schedule. The field operates under Special Field Rules that provide for 467'0" well spacing, 160-acre gas units with optional 40 acre density, stacked laterals and off-lease penetration. The allocation formula is currently suspended. Cumulative production from the field through September 2012 is 31.2 BCFG and 715.5 MBO.

Operators are currently developing the field with horizontal wellbores. Linn Operating requests that lease line spacing be amended to allow the first and last take points on a horizontal wellbore be located as close 200 feet from a lease line, and 467 feet perpendicular distance from lease lines to all points on the drainhole. The 200-foot lease line spacing for the first and last take points allows maximum recovery from the reservoir by maximizing reservoir contact. For the Meg (Granite Wash) Field, the rule will allow an additional 534 feet of reservoir contact per lateral. The increased lateral length will increase the recovery of hydrocarbons that would otherwise go unrecovered. This spacing rule will allow the maximum recovery of hydrocarbons from a lateral and promote the development of the field.

Similar Field Rules have been adopted in other Granite Wash reservoirs under going horizontal development in the area, including the Buffalo Wallow (Granite Wash) and Stiles Ranch (Granite Wash Cons) Fields, as well as, the Mills Ranch (Granite Wash) Field. The allocation formula is currently suspended and Linn Operating 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 45 producing gas wells and four operators carried on the proration schedule.

3. The field operates under Special Field Rules that provide for 467'0" well spacing, 160-acre gas units with optional 40-acre density, off lease penetration, stacked laterals and the allocation formula is currently suspended.
4. The proposed dual lease-line spacing of 200 feet for the first and last take points will provide flexibility in developing the field and maximize hydrocarbon recovery. Allowing 200-foot lease line spacing for the first and last take points allows maximum recovery from the reservoir by maximizing reservoir contact with a longer lateral.
5. The proposed "dual" leaseline spacing rule for the Meg (Granite Wash) Field will allow an additional 534 feet of reservoir contact per lateral, which will increase the recovery of hydrocarbons.
6. Similar dual lease line spacing rules have been adopted in other Granite Wash reservoirs under going horizontal development in the area, including the Buffalo Wallow (Granite Wash) and Stiles Ranch (Granite Wash Cons) Fields, as well as, the Mills Ranch (Granite Wash) 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 No. 2 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 examiners recommend that the Commission amend Field Rule No. 2 for the Meg (Granite Wash) Field, as proposed by Linn Operating, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner

Terry Johnson
Legal Examiner