

OIL AND GAS DOCKET NO. 10-0255754

THE APPLICATION OF NEWFIELD EXPL. MID-CON. INC. TO CONSOLIDATE THE STILES RANCH (ATOKA) AND STILES RANCH (GRANITE WASH) FIELDS INTO THE STILES RANCH (GRANITE WASH CONS.) FIELD AND ADOPT FIELD RULES FOR THE STILES RANCH (GRANITE WASH CONS.) FIELD, WHEELER COUNTY, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Date of Hearing: June 5, 2008

Appearances:

Representing:

Dale E. Miller

Newfield Expl. Mid-Con. Inc.

Clark Jobe

Apache Corporation

Bill Spencer

Chesapeake Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Newfield Expl. Mid-Con. Inc. requests to consolidate the Stiles Ranch (Atoka) and Stiles Ranch (Granite Wash) Fields into a new field to be known as the Stiles Ranch (Granite Wash Cons.) Field. The fields proposed for consolidation are as follows:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Stiles Ranch (Atoka)	86125 100
Stiles Ranch (Granite Wash)	86125 200

Newfield requests that the following rules be adopted for the new field:

1. Designation of the field as the entire correlative interval from 12,344 feet to 16,164 feet, as shown on the Dual Induction SFL log of the Ladd Petroleum Corporation, Britt "K" Lease Well No. 2,037, API No. 42-483-31377, Section 37, Block A-3, H&GN Survey, Wheeler County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Stiles Ranch (Granite Wash Cons.) Field.

2. Allocation based on 95% deliverability and 5% per well and that the allocation formula be suspended.

This application was unopposed and the examiner recommends approval of Newfield's request for field consolidation and field rules.

DISCUSSION OF THE EVIDENCE

The Stiles Ranch (Atoka) and the Stiles Ranch (Granite Wash) Fields were discovered in October 1979. Both fields currently operate under statewide rules of 467'/1,200' well spacing, 40 acre gas units, and the allocation formulas are suspended. The fields are geographically intermingled and contain wells that are currently producing from commingled zones in the two different fields. To date, thirty one Rule 10 exceptions to commingle the two zones have been granted.

Newfield is proposing to consolidate the two fields into the Stiles Ranch (Granite Wash Cons.) Field. The proposed designated interval for the consolidated field is the entire correlative interval from 12,344 feet to 16,164 feet, as shown on the Dual Induction SFL log of the Ladd Petroleum Corporation, Britt "K" Lease Well No. 2,037, API No. 42-483-31377, Section 37, Block A-3, H&GN Survey, Wheeler County, Texas. There are no other fields contained within the proposed correlative interval.

This interval includes numerous lenticular sands in the Granite Wash formation which may be productive in future wells. Separate completions in each sand would not be commercial. This is the same correlative interval that received a "Tight Gas Designation" from a previous Railroad Commission hearing. Although the Stiles Ranch (Atoka) Field is labeled as producing from the Atoka formation, Newfield's testimony showed that this field was actually producing from the Granite Wash correlative interval. In addition, three other fields in the area, the Frye Ranch (Consolidated), the Allison-Britt (12350) and the B & B (Granite Wash) Fields, have the same designated correlative interval.

The Stiles Ranch (Atoka) Field is classified as non-associated and there are 74 gas wells carried on the proration schedule. The two largest operators in the field are Apache Corporation and Chesapeake Operating, Inc. Cumulative production through February 2008 is 46.6 BCFG and 677 MBC.

The Stiles Ranch (Granite Wash) Field is classified as associated and there are 246 gas wells and no current oil wells carried on the proration schedules. The largest operator in the field is Newfield. Cumulative production through February 2008 is 17.9 MBO, 155.0 BCFG and 3.1 MMBC.

Newfield is proposing that the Stiles Ranch (Granite Wash Cons.) Field operate under statewide rules of 467'/1,200' well spacing and 40 acre gas units to allow for future development. Newfield will be actively developing the Granite Wash interval by drilling infill

wells and completing existing wells into additional zones. Newfield stated that by completing wells in both fields initially, they will reduce the drilling cost by approximately \$900,000 per well. In addition, completing in all of the productive intervals at the same time will reduce the economic limit for each interval and provide for the additional recovery of hydrocarbons.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Newfield requests that the allocation formula be based on 95% deliverability and 5% per well and that the allocation formula be suspended.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Stiles Ranch (Atoka) and the Stiles Ranch (Granite Wash) Fields were discovered in October 1979. Both fields currently operate under statewide rules of 467'/1,200' well spacing, 40 acre gas units, and the allocation formula is suspended.
3. Newfield is proposing to consolidate the two fields into the Stiles Ranch (Granite Wash Cons) Field.
4. The designated interval for the consolidated field is the entire correlative interval from 12,344 feet to 16,164 feet, as shown on the Dual Induction SFL log of the Ladd Petroleum Corporation, Britt "K" Lease Well No. 2,037, API No. 42-483-31377, Section 37, Block A-3, H&GN Survey, Wheeler County, Texas.
5. The designated interval includes numerous lenticular sands in the Granite Wash formation which may be productive in future wells. Separate completions in each sand would not be commercial.
6. Although the Stiles Ranch (Atoka) Field is labeled as production from the Atoka formation, Newfield's testimony showed that this field was actually producing from the Granite Wash correlative interval.
7. Wells in the two Stiles Ranch Fields produce from the same correlative interval and contain thirty one wells that are currently producing from

commingled zones in the two different fields.

8. The proposed statewide well spacing of 467'/1,200' and 40 acre density will allow for future development in the Stiles Ranch area.
9. Suspension of the allocation formula in the consolidated field is appropriate because there is a market for any gas produced from the field.

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. Consolidation of the fields as proposed by Newfield Expl. Mid-Con. Inc is necessary to prevent waste and protect correlative rights.
4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission consolidate the Stiles Ranch (Atoka) and Stiles Ranch (Granite Wash) Fields into the new field, the Stiles Ranch (Granite Wash Cons.) Field, adopt permanent field rules for the Stiles Ranch (Granite Wash Cons.) Field and that the allocation formula in the field be suspended.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Hearings Examiner