

THE APPLICATION OF COG OPERATING, LLC FOR BLANKET AUTHORITY FOR EXCEPTION TO STATEWIDE RULE 10 FOR THE SPRABERRY (REND AREA) FIELD AND VARIOUS ATOKA, BEND, PENNSYLVANIAN AND STRAWN FIELDS, UPTON COUNTY, TEXAS

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

DATE OF HEARING: January 7, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Flip Whitworth
Greg Cloud
Jayne Krawietz
Ward Whiteman

COG Operating, LLC

OBSERVERS:

Sandra Bolz Buch
Weldon Pierson
Travis Loseke

Pioneer Natural Res. USA, Inc.

Cary McGregor

Reliance Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

COG Operating, LLC ("COG") requests that the Commission approve a blanket authority for exception to Statewide Rule 10 for any wells in the Spraberry (Trend Area) Field, Upton County, Texas, and any of the Atoka, Bend, Pennsylvanian or Strawn fields listed in Attachment A.

The application was unopposed and the examiner recommends approval of the requested blanket authority for exception to Statewide Rule 10.

DISCUSSION OF THE EVIDENCE

The Spraberry (Trend Area) Field covers approximately 2 million acres in portions

of nine counties in the Midland Basin. The current designated interval for the Spraberry (Trend Area) Field is the entire correlative interval from 6,865 feet to 10,605 feet as shown on the log of the Houpt Lease, Well No. 1. This interval includes the Clearfork, Spraberry, Dean and Wolfcamp formations which extends to the top of the Strawn formation.

COG has identified the Atoka, Bend, Pennsylvanian and Strawn fields in Upton County that are covered by the Spraberry (Trend Area) Field. These fields include both oil and gas fields, many of which do not have any wells currently on the proration schedule. COG has also identified 35 Rule 10 exceptions in Upton County which have been previously approved by the Commission for the Spraberry (Trend Area) Field and various combinations of the fields now proposed for blanket authority for exception to Statewide Rule 10.

The Spraberry (Trend Area) Field is being actively developed. Between May 2008 and April 2010, 1,600 wells were drilled in the field and production increased from 90,000 BOPD to 120,000 BOPD. It is expected that this development will continue with infill drilling. A typical completion in the Spraberry (Trend Area) Field is capable of initially producing at a rate of about 55 BOPD. A typical Atoka, Bend, Pennsylvanian or Strawn completion is expected to initially produce at a rate of about 20 BOPD. Any commingled completion will likely require artificial lift and cross-flow between the fields is not expected.

On average, a Spraberry well will ultimately recover approximately 95,000 BO and an Atoka, Bend, Pennsylvanian or Strawn well will recover approximately 10,000 BO. A stand-alone Atoka, Bend, Pennsylvanian or Strawn completion is not economic in many cases. As a result of commingling two zones, incremental reserves of approximately 18,500 BO and 27,800 MCFG will be produced due to the lower combined economic limit. As a result of commingling three zones, incremental reserves of approximately 37,000 BO and 55,500 MCFG will be produced due to the lower combined economic limit.

COG requests that wells which are downhole commingled in the subject fields be assigned to the Spraberry (Trend Area) Field for proration purposes.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in all of the subject fields.
2. The Spraberry (Trend Area) Field covers approximately 2 million acres in portions of nine counties in the Midland Basin.
3. The Spraberry (Trend Area) Field is currently designated as the correlative interval from 6,865 feet to 10,605 feet as shown on the log of the Houpt Lease, Well No. 1. This interval includes the Clearfork, Spraberry, Dean and Wolfcamp formations which extends to the top of the Strawn formation.
4. COG has identified the Atoka, Bend, Pennsylvanian and Strawn fields in

Upton County that are covered by the Spraberry (Trend Area) Field. These fields include both oil and gas fields, many of which do not have any wells currently on the proration schedule.

5. COG has also identified 35 Rule 10 exceptions in Upton County which have been previously approved by the Commission for the Spraberry (Trend Area) Field and various combinations of the fields now proposed for blanket authority for exception to Statewide Rule 10.
6. Any commingled well will likely require artificial lift and cross-flow between the fields is not expected.
7. As a result of commingling two zones, incremental reserves of approximately 18,500 BO and 27,800 MCFG will be produced due to the lower combined economic limit. As a result of commingling three zones, incremental reserves of approximately 37,000 BO and 55,500 MCFG will be produced due to the lower combined economic limit.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested blanket authority for exception to Statewide Rule 10 for all wells in the Spraberry (Trend Area) Field and the Atoka, Bend, Pennsylvanian and Strawn fields listed in Attachment A will prevent waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends approval of blanket authority for exception to Statewide Rule 10 for all wells in the Spraberry (Trend Area) Field and the various Atoka, Bend, Pennsylvanian and Strawn fields listed in Attachment A.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

ATTACHMENT A

The operator of any well downhole commingled in the Spraberry (Trend Area) Field and one of the fields listed below shall file the appropriate completion forms, an abbreviated Rule 10 Data Sheet for Wells Subject to Fieldwide Rule 10 Exception (See Attachment B), and the Rule 10 exception downhole commingling fee. Such applications may be approved without notice and hearing. This provision shall apply to the following fields:

<u>FIELD NO.</u>	<u>FIELD NAME</u>
02207 608	AMACKER-TIPPETT (STRAWN)
02207 684	AMACKER-TIPPETT (STRAWN -A-)
02207 760	AMACKER-TIPPETT (STRAWN LO)
02207 836	AMACKER-TIPPETT (STRAWN 9150)
02208 333	AMACKER-TIPPETT, EAST (STRAWN)
02208 666	AMACKER-TIPPETT, EAST (STRAWN -A-)
02213 500	AMACKER-TIPPETT, SE. (STRAWN)
02213 750	AMACKER-TIPPETT, SE (STRAWN DETR)
02213 875	AMACKER-TIPPETT, SE. (STRAWN LM)
02220 600	AMACKER-TIPPETT, SW (STRAWN)
02221 500	AMACKER-TIPPETT, W (STRAWN-DETR)
02212 666	AMACKER-TIPPETT, S (STRAWN 8750)
02212 777	AMACKER-TIPPETT, S (STRAWN 9250)
09804 750	BLUE DANUBE (STRAWN)
20569 700	CORBETT, N. (STRAWN)
20617 600	CORDOVA (STRAWN)
32449 800	FRADEAN (STRAWN)
41326 500	HIGHLINE ROOST (STRAWN)
45316 710	JACK HERBERT (STRAWN PENN.)
49413 800	KING MOUNTAIN (STRAWN)
49413 915	KING MOUNTAIN (STRAWN 9150)
49415 800	KING MOUNTAIN, N. (STRAWN)
85397 375	SPUG (STRAWN)
92503 500	UNIVERSITY (PENN. STRAWN)
94428 400	W. RICHARDSON (STRAWN)
97773 664	WILLRODE (STRAWN)
97773 830	WILLRODE (STRAWN 9550)
02207 076	AMACKER-TIPPETT (ATOKA 9600)
02212 111	AMACKER-TIPPETT, S. (BEND)
02212 222	AMACKER-TIPPETT, S. (BEND, UP.)
02213 250	AMACKER-TIPPETT, SE (BEND 10600)
02221 300	AMACKER-TIPPETT, W. (BEND)

02207 228 AMACKER-TIPPETT (DETRITAL)

<u>FIELD NO.</u>	<u>FIELD NAME</u>
02212 444	AMACKER-TIPPETT, S. (DETRITAL 9270)
09450 200	BLOCK 42 (PENN)
09804 100	BLUE DANUBE (BEND)
09805 500	BLUE DANUBE, E. (PENN. DETRITAL)
23380 700	DAVIS (PENNSYLVANIAN)
29245 500	ERNESTINE (ATOKA)
32555 333	FRANCO (BEND)
33269 300	FULMER (BEND)
33269 500	FULMER (BEND DETRITAL)
45316 426	JACK HERBERT (PENN.)
45319 500	JACK HERBERT, NE. (PENN.)
45757 280	JAR (PENNSYLVANIAN)
49414 333	KING MOUNTAIN, E. (PENN. 10,170)
49415 500	KING MOUNTAIN, N. (BEND)
49418 300	KING MOUNTAIN, S. (BEND)
49418 200	KING MOUNTAIN, S. (ATOKA)
49420 100	KING MOUNTAIN, SE. (BEND)
59477 777	MCGILL (PENNA.)
67039 500	OLD UPLAND (BEND)
67041 300	OLD UPLAND, EAST (BEND)
70283 500	PEGASUS, S. (BEND)
70288 200	PEGASUS, W. (BEND)
89134 750	TEXEL (PENNSYLVANIAN)
97773 166	WILLRODE (BEND)
97834 750	WILSHIRE (PENNSYLVANIAN)