



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 05-0271230

THE APPLICATION OF ENCANNA OIL & GAS (USA) INC. TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED HAYDEN LAKE (BOSSIER) FIELD, LEON COUNTY, TEXAS

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

DATE OF HEARING: July 8, 2011

APPEARANCES:

H. Philip Whitworth
Turner Williamson

REPRESENTING:

Encana Oil & Gas (USA) Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

EnCana Oil & Gas (USA) Inc. ("EnCana") requests that a new field designation called the Hayden Lake (Bossier) Field (ID No. 39775 500) be approved for its Gresham Trust Lease, Well No. 3, (API No. 42-289-31851). EnCana also requests that the following Field Rules be adopted for the new field:

1. Designation of the field as the correlative interval from 16,440 feet to 19,585 feet as shown on the log of the EnCana Oil & Gas (USA) Inc. - Gresham Trust Lease, Well No. 3, (API No. 42-289-31851), Leon County, Texas;
2. 467'- 0' well spacing;
3. An allocation formula based on 95% deliverability and 5% per well and suspension of the allocation formula.

It is further requested that any over-production be canceled. There were no protests to this application and the examiners recommend approval of the new field designation and Field Rules for the Hayden Lake (Bossier) Field.

DISCUSSION OF EVIDENCE

EnCana completed its Gresham Trust Lease, Well No.3, in June 2010 with perforations in several individual Bossier Reagan sands between 16,490 feet and 19,490 feet. On initial test, the well produced at a maximum rate of 1.8 MMCFGD.

EnCana requests that the correlative interval from 16,440 feet to 19,585 feet as shown on the log of the EnCana Oil & Gas (USA) Inc. - Gresham Trust Lease, Well No. 3 (API No. 42-289-31851), JM Hallmark Survey, A-339, Leon County, Texas, be designated as the Hayden Lake (Bossier) Field. This interval includes a significant proportion of the Bossier formation that collectively incorporates several separate sand members, stratigraphically isolated by at least thirty feet of impermeable clastic rock.

EnCana requests to deviate from the standard well spacing requirements for wells located on 40 acre density units. EnCana proposes a well spacing of 467 feet from any property, lease, or subdivision lines with no between well spacing limitation. EnCana indicates the aforementioned distances will provide flexibility in placing horizontal wells in optimum locations to maximize recovery. One constituent associated in the request for no between well spacing requirements was opined when EnCana indicated the proper well-bore orientation, with respect to the Bossier formation's natural stress direction, is currently undetermined. The no between well spacing limitation seems appropriate in this instance.

The new field designation should be approved for the Gresham Trust Lease, Well No. 3. There is no comparable Bossier Reagan formation production within 2.5 miles of the subject well. The nearest production is approximately 3.7 miles to the south and produces gas from the Eagle Ford Shale formation in the Aguila Vado (Eagleford) Field at an average depth of 6,700 feet. EnCana calculated a virgin bottomhole pressure of 10,258 psi.

To satisfy state statutes, EnCana requests that a two factor allocation formula based on 95% deliverability and 5% per well be adopted for the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. EnCana completed its Gresham Trust Lease, Well No. 3, in June 2010 with perforations in several Bossier Reagan sands between 16,490 feet and 19,490 feet. On initial test, the well produced at a maximum rate of 1.8 MMCFGPD.
3. The Gresham Trust Lease, Well No.3, is entitled to a new field designation.

- a. The 2 ½ Mile Radius includes 1 well-bore that penetrated the proposed correlative interval that is currently plugged and abandoned.
 - b. The nearest comparable Bossier sand production is from one well located approximately four and four-tenths miles to the north in the Hilltop Resort (Bossier) Field.
4. The entire correlative interval from 16,440 feet to 19,585 feet as shown on the log of the EnCana Oil & Gas (USA) Inc. - Gresham Trust Lease, Well No. 3 (API No. 42-289-31851), JM Hallmark Survey, A-339, Leon County, Texas, should be designated as the Hayden Lake (Bossier) Field.
 5. Allocation based on 95% deliverability and 5% per well will protect correlative rights.

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. Approval of the requested new field designation and adoption of Field Rules will prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend approval of the new field designation and adoption of Field Rules for the Hayden Lake (Bossier) Field, as proposed by Encana Oil & Gas (USA) Inc.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Brian K. Fancher
Technical Examiner