

OIL AND GAS DOCKET NO. 01-0267635

THE APPLICATION OF CHESAPEAKE OPERATING, INC. TO CONSOLIDATE ALL EAGLEFORD SHALE OIL FIELDS INTO THE BRISCOE RANCH (EAGLEFORD) FIELD, DIMMIT, MAVERICK, WEBB, ZAVALA AND FRIO COUNTIES, TEXAS

Heard by: Donna K. Chandler, Technical Examiner

Hearing date: October 27, 2010

Appearances:

Representing:

Glenn Johnson
Jim Clark

Chesapeake Operating, Inc.

Ana Maria Marsland-Griffith

Anadarko E & P Company LP

Sandra Buch
Meri Lynn Gobran

Pioneer Natural Resources USA, Inc.

Clark Jobe

Murphy Exploration & Production Co.

John McFarland

PGE Minerals, Ltd. & Gates Minerals

George Neale

Fitzsimons Oil & Gas Management Trust

John Soule
Taylor Lepley

Petrohawk Operating Company

David Gross

Newfield Exploration Company

Tim George

Lightning Oil Company

Dale Miller

Cabot Oil & Gas Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Chesapeake Operating, Inc. requests that all Eagleford Shale oil fields in Dimmit, Maverick, Webb, Zavala and Frio Counties be consolidated into the Briscoe Ranch (Eagleford) Field. It is proposed that wells in the subject counties which are carried in the following existing oil fields, be consolidated into the Briscoe Ranch (Eagleford) Field:

Cage Ranch (Eagleford) Field
Chittim (Eagleford) Field
Eagle (Eagle Ford) Field
Eagle Pass (Eagleford) Field
Espantosa Lake (Eagleford) Field
Red Hawk (Eagle Ford) Field
Sacatosa (Eagle Ford) Field
Thompson Bend (Eagleford) Field
Eagleville (Eagle Ford Sour) Field

Chesapeake further requests that the field rules for the Briscoe Ranch (Eagleford) Field be amended to provide for 330 feet lease line spacing and 80 acre density for oil wells. The rules currently provide for 467 feet lease line spacing and 40 acre density for oil wells and 80 acre density for gas wells.

Initially, notice of this application was only sent to operators in the Briscoe Ranch (Eagleford) Field. Subsequent to the hearing, notice was issued to the operators in all fields and no objections were received.

DISCUSSION OF THE EVIDENCE

The Briscoe Ranch (Eagleford) Field was discovered in November 2007 and is an associated field. The October 2010 proration schedule indicates 5 producing oil wells and 23 producing gas wells. The field operates under rules providing for 467'-0' well spacing, 100' spacing for first and last take point, 80 acre density for gas wells and 40 acre density for oil wells, take point rules for horizontal wells, "box" rule, and off-lease penetration points.

The other fields proposed for consolidation are discussed below:

- a. Cage Ranch (Eagleford) Field/Statewide Rules associated field with 2 oil wells and no gas wells
- b. Chittim (Eagleford) Field/Statewide Rules oil field with no active wells
- c. Eagle (Eagle Ford) Field -- Statewide Rules oil field with no active wells
- d. Eagle Pass (Eagleford) Field -- Statewide Rules oil field with no active wells

- e. Espantosa Lake (Eagleford) Field -- Statewide Rules
oil field with no active wells
- f. Red Hawk (Eagle Ford) Field
oil field with one active well
40 acre density; 467'-1,200' well spacing;
special horizontal rules
- g. Sacatosa (Eagle Ford) Field -- Statewide Rules
oil field with no active wells
- h. Thompson Bend (Eagleford) Field -- Statewide Rules
oil field with no active wells
- i. Eagleville (Eagle Ford Sour) Field -- Statewide Rules
oil field with one active well

The Commission has recently consolidated all Eagleford oil fields in DeWitt and Karnes Counties into the Eagleville (Eagleford-2) Field and all Eagleford oil fields in Atascosa, Gonzales, LaSalle, McMullen and Wilson Counties into the Eagleville (Eagleford-1) Field. Chesapeake is requesting that the same rules adopted for the two Eagleville fields be adopted for the consolidated Briscoe Ranch (Eagleford) Field which is the subject of this hearing. In addition to the fields listed above, the Dilworth (Eagle Ford) Field has two wells, one of which is in McMullen County and one of which is in Frio County. The well in the Dilworth (Eagle Ford) Field in McMullen County will be moved into the Eagleville (Eagleford-1) Field. The other well, the Kothmann No. 2 operated by Manti Exploration, should be transferred into the Briscoe Ranch (Eagleford) Field because it is in Frio County.

All of the major shale fields in Texas already operate under a spacing rule providing for 330 feet minimum distance to lease lines. The fields include the Newark, East (Barnett Shale), Carthage (Haynesville Shale), Sugarkane (Eagleford) and Hawkville (Eagleford Shale) Fields. These fields are both oil and gas fields, with densities ranging from 640 acres for gas wells in the Carthage (Haynesville Shale) Field, down to optional 20 acres for oil or gas wells in the Newark, East (Barnett Shale) Field. The Briscoe Ranch (Olmos) Field is a possible shallower recompletion target in the area. The Olmos field operates under rules providing for 330 feet from lease lines. Consistent spacing in the two horizons will provide for flexibility in using existing wellbores for recompletions.

The subject Eagleford Fields are overlapping geographically across the five counties. The Eagleford in these fields is an extension of the Eagleford trend which exists up into Burleson and Brazos Counties. Chesapeake requests no change in the current designated interval for the Briscoe Ranch (Eagleford) Field, which is from 7,160 feet to 7,535 feet as shown on the log of the Briscoe Catarina West Lease Well No. 1 in Dimmitt County.

The Hatch No. 1H is a horizontal Eagleford well in Dimmitt County. This well is expected to ultimately recover 210,000 BO. Assuming 10% recovery, the well will drain approximately 60 acres; assuming 4% recovery, the well will drain approximately 150 acres. The Traylor North No. 1H is a horizontal Eagleford well in Zavala County.

Estimated ultimate recovery for this well is 269,000 BO. The minimum drainage area for this well is 59 acres, based on 10% recovery. Assuming 4% recovery, the drainage area is 149 acres.

Because one of the fields being consolidated, the Eagleville (Eagle Ford Sour) Field, is regulated pursuant to Statewide Rule 36, the consolidated Briscoe Ranch (Eagleford) Field should also be regulated pursuant to Rule 36. The recently consolidated Eagleville (Eagleford-1) Field operates under Rule 36.

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. The Briscoe Ranch (Eagleford) Field was discovered in November 2007 and is an associated field. The October 2010 proration schedule indicates 5 producing oil wells and 23 producing gas wells.
3. Field rules for the Briscoe Ranch (Eagleford) Field provide for a designated interval, 467'-0' well spacing, 100' spacing for first and last take point, 80 acre density for gas wells and 40 acre density for oil wells, take point rules for horizontal wells, "box" rule, and off-lease penetration points.
4. The Commission has recently consolidated all Eagleford oil fields in DeWitt and Karnes Counties into the Eagleville (Eagleford-2) Field and all Eagleford oil fields in Atascosa, Gonzales, LaSalle, McMullen and Wilson Counties into the Eagleville (Eagleford-1) Field.
5. Chesapeake Operating, Inc. requests that the following oil fields in Dimmit, Maverick, Webb, Zavala and Frio Counties be consolidated into the Briscoe Ranch (Eagleford) Field:
 - Cage Ranch (Eagleford) Field
 - Chittim (Eagleford) Field
 - Eagle (Eagle Ford) Field
 - Eagle Pass (Eagleford) Field
 - Espantosa Lake (Eagleford) Field
 - Red Hawk (Eagle Ford) Field
 - Sacatosa (Eagle Ford) Field
 - Thompson Bend (Eagleford) Field
 - Eagleville (Eagle Ford Sour) Field
6. The 9 fields proposed for consolidation are "overlapping" geographically.
7. The Dilworth (Eagle Ford) Field has two wells, one of which is in McMullen County and one of which is in Frio County. The well in the Dilworth (Eagle

Ford) Field in McMullen County will be moved into the Eagleville (Eagleford-1) Field. The other well, the Kothmann No. 2 in Frio County operated by Manti Exploration, should be transferred into the Briscoe Ranch (Eagleford) Field.

8. All of the major shale fields in Texas, including the Newark, East (Barnett Shale), Carthage (Haynesville Shale), Sugarkane (Eagleford) and Hawkville (Eagleford Shale) Fields, already operate under a spacing rule providing for 330 feet minimum distance to lease lines.
9. An 80 acre density rule for oil wells in the Briscoe Ranch (Eagleford) Field is appropriate.
 1. The Hatch No. 1H is a horizontal Eagleford well in Dimmit County which has an estimated ultimate recovery of 210,000 BO.
 2. The Traylor North No. 1H is a horizontal Eagleford well in Zavala County. Estimated ultimate recovery for this well is 269,000 BO.
 3. These two wells are expected to drain between 60 and 150 acres.
10. The Briscoe Ranch (Eagleford) Field should be regulated pursuant to Statewide Rule 36 because one of the fields being consolidated, the Eagleville (Eagle Ford Sour) Field, is regulated pursuant to Statewide Rule 36.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.
2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed.
3. Consolidation of the subject 9 fields is necessary to prevent waste by promoting orderly development of the Eagleford formation in Dimmit, Maverick, Webb, Zavala and Frio Counties.
4. Amending the field rules for the Briscoe Ranch (Eagleford) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the subject 9 fields be consolidated into the Briscoe Ranch (Eagleford) Field and that the field rules for the Briscoe Ranch (Eagleford) Field be amended as proposed by Chesapeake.

Respectfully submitted,

Donna K. Chandler
Technical Examiner