



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 01-0272901

THE APPLICATION OF NEWFIELD EXPLORATION CO. TO CONSIDER CONSOLIDATION OF THE CHITTIM (7100 PEARSALL) AND PENA CREEK (PEARSALL) FIELDS INTO THE INDIO TANKS (PEARSALL) FIELD, LA SALLE, DIMMIT, MAVERICK, AND ZAVALA COUNTIES, TEXAS

HEARD BY: Brian K. Fancher - Technical Examiner
Gene Montes - Legal Examiner

DATE OF HEARING: November 17, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale E. Miller

Newfield Exploration Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Newfield Exploration Co. ("Newfield") requests that the Chittim (7100 Pearsall) and Pena Creek (Pearsall) Fields be consolidated into the Indio Tanks (Pearsall) Field. The fields proposed for consolidation are as follows:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Chittim (7100 Pearsall)	17876 912
Pena Creek (Pearsall)	70411 360

Newfield requests no changes to the field rules for the Indio Tanks (Pearsall) Field, Field ID No. 44510 500.

This application was unopposed and the examiner recommends approval of the requested field consolidation, as proposed by Newfield.

DISCUSSION OF THE EVIDENCE

The Indio Tanks (Pearsall) Field is designated as a non-associated gas field and was discovered in November 2007 at an average depth of 10,100 feet. There are four operators and nine producing wells carried on the November 2011 Proration schedule. The correlative interval is designated from 9,220 feet to 10,090 feet, as shown on the log of the TXCO Resources Inc. - Glass Ranch "B" Lease, Well No. 177 (API No. 42-323-32970), Section 77, A. Rivas Survey, A-788, Maverick County, Texas. This interval includes the entire Pearsall formation, which is approximately 900 feet in thickness. The field rules provide for 330' lease line spacing with no between well spacing, 320 acre density with 40 acre options, special provisions for take points, a "box" rule, stacked lateral wells, off-lease penetration points, the assignment of additional acreage to horizontal drainholes based upon an additional allocation formula, and allocation based on 100% acres. The field is AOF status.

The Chittim (7100 Pearsall) Field is an associated field and was discovered in April 1964 at an average depth of 7,100 feet. The November 2011 proration schedules indicates there is one producing oil well and two producing gas wells, all operated by Newfield. The field operates under Statewide Rules for both oil and gas wells.

The Pena Creek (Pearsall) Field is designated as a non-associated gas field and was discovered in April 2005 at an average depth of 8,200 feet. The November 2011 Gas Proration Schedule indicates there is one producing well completed in the field, operated by Newfield. The field is currently governed by Statewide Rules and the allocation formula is currently in effect.

As stated earlier, the Chittim (7100 Pearsall) Field is designated as an associated field. Subsequent to the hearing performed on November 17, 2011, Newfield submitted a late-file exhibit of a Commission Form G-1 for the Newfield Exploration Company, Paloma Lease, Well No. 1068 (API No. 42-323-32553). At the time of the hearing, the Paloma Lease, Well No. 1068 was designated as an oil well under the oil proration schedule. The aforementioned Form G-1 was filed with the Commission on January 4, 2012 and indicated the sole producing oil well in the Chittim (7100 Pearsall) Field, the Paloma Lease, Well No. 1068 (API No. 42-323-32553), is to be reclassified as a gas well. Therefore, as there are no oil wells completed in the Chittim (7100 Pearsall) or Pena Creek (Pearsall) Fields, Newfield requests the Indio Tanks (Pearsall) Field remain a non-associated gas field.

Newfield submitted two stratigraphic cross-sections of the Pearsall Formation within the confinements of the three subject fields. One cross section traversed north to south and the other cross-section traversed east to west. The collective set of subsurface data indicated the Pearsall Formation is a geologic strata that is continuous throughout the area comprising the three subject fields.

Newfield submitted drainage area calculations for two wells completed in the Los Cuatros (Lower Cretaceous) Field, a field adjacent to the Indio Tanks (Pearsall) Field. The initial example indicated a vertical well completed in the Los Cuatros (Lower Cretaceous) Field was capable of draining an area of 342 acres. The final example indicated a vertical well may drain an area 18 acres. Based upon these drainage area calculations, Newfield opined that wells completed in the Chittim (7100 Pearsall) and the Pena Creek (Pearsall) Fields were capable of the same drainage area as the two wells completed in the Los Cuatros (Lower Cretaceous) Field; therefore, the current field rules governing the Indio Tanks (Pearsall) Field should remain unchanged while the three subject fields are consolidated into one field.

Testimony supplied on behalf of Newfield suggests the applicant is seeking to consolidate the Chittim (7100 Pearsall) and the Pena Creek (Pearsall) Fields into the Indio Tanks (Pearsall) Field due to the three subject fields essentially overlapping in certain areas. Newfield indicated the purpose of it's application was to not only consolidate the fields into one, but also alleviate the confusion operators encounter when determining which of the three fields should be selected, once field designation is required. Wells completed in the three subject fields produce from the same correlative interval, which is the Pearsall Formation.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The designated correlative interval for the Indio Tanks (Pearsall) Field is from 9,220 feet to 10,090 feet as shown on the log of the TXCO Resources Inc. - Glass Ranch "B" Lease, Well No. 177 (API No. 42-323-32970), Section 77, A. Rivas Survey, A-788, Maverick County, Texas.
3. The Indio Tanks (Pearsall) Field was discovered in November 2007 at an average depth of 10,090 feet. The field rules provide for 330' lease line spacing with no between well spacing, 320 acre density with 40 acre options, special provisions for take points, a "box" rule, stacked lateral wells, off-lease penetration points, the assignment of additional acreage to horizontal drainholes based upon an additional allocation formula, and allocation based on 100% acres. The field is AOF status.
4. The Chittim (7100 Pearsall) Field is an associated field and was discovered in April 1964 at an average depth of 7,100 feet. The November 2011 proration schedules indicates there is one producing oil well and two producing gas wells, all operated by Newfield. The field operates under Statewide Rules for both oil and gas wells.
5. The Pena Creek (Pearsall) Field is designated as a non-associated gas field and was discovered in April 2005 at an average depth of 8,200 feet. The field

is currently governed by Statewide Rules and the allocation formula is currently in effect.

6. The Pearsall Formation is a continuous geologic strata throughout the area comprising the Indio Tanks (Pearsall), Chittim (7100 Pearsall), and the Pena Creek (Pearsall) Fields.
7. Consolidation of the Chittim (7100 Pearsall) and the Pena Creek (Pearsall) Fields into the Indio Tanks (Pearsall) Field is appropriate.
8. Newfield calculated drainage areas for two vertical wells in the adjoining Los Cuatros (Lower Cretaceous) Field. One of the wells had a drainage area of 342 acres and the other well had a drainage area of 18 acres.
8. To date, the field designations have overlapped. Wells in the fields produce from the same correlative interval, which is the Pearsall Formation.

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 Chittim (7100 Pearsall) and the Pena Creek (Pearsall) Fields into the Indio Tanks (Pearsall) Field is necessary to prevent waste, protect correlative rights, and promote development of the fields.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Chittim (7100 Pearsall) and the Pena Creek (Pearsall) Fields be consolidated into the Indio Tanks (Pearsall) Field and that no changes be made to the field rules for the Indio Tanks (Pearsall) Field, as requested by Newfield Exploration Co.

Respectfully submitted,


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Technical Examiner


Gene Montes
Legal Examiner