

OIL AND GAS DOCKET NO. 01-0270639

THE APPLICATIONS OF NEWFIELD EXPLORATION COMPANY TO AMEND THE FIELD RULES FOR THE BRISCOE RANCH (EAGLEFORD) FIELD, DIMMIT, FRIO, MAVERICK, WEBB AND ZAVALA COUNTIES, TEXAS

Heard by: Andres J. Trevino P.E., Technical Examiner

Hearing Date: June 6, 2011

Appearances:

Representing:

Applicant:

David Gross
Dale E. Miller

Newfield Exploration Company

Interested Parties:

Sandra B. Buch
Meri Lynn Gobran

Pioneer Natural Resources USA, Inc.

Tamara Gannon

Peregrine Petroleum

John Soule

Petrohawk Energy

Tom Weber

Murphy Exploration & Production Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Newfield Exploration Company requests that field rules for the Briscoe Ranch (Eagleford) Field be adopted to allow a six month exception to Statewide Rule 13(b)(5)(a) which requires to produce a flowing oil well through tubing for all wells in the Briscoe Ranch (Eagleford) Field and a six month exception to Statewide Rule 51(a) regarding a waiver of the 10 day rule for filing of paperwork related to completing of oil wells in the field. No other field rule changes are proposed for the field.

Newfield had requested that all exceptions be granted administratively without paying filing fees. Currently exceptions are not granted administratively therefore the Commission has no mechanism to collect fees. The examiner proposed language in the field rules that would allow the Commission to collect fees in the future should the

Commission began collecting fees for Rule 13(b)(5)(a) and Rule 51(a) exceptions. The applicant, Newfield did not consider the proposed language adverse. The application was unopposed and the examiner recommends approval of the application.

DISCUSSION OF EVIDENCE

The Briscoe Ranch (Eagleford) Field was discovered in November 2007. There are approximately 42 oil wells and 52 gas wells on the proration schedule. There are a total of 204 oil and gas wells completed in the field with most wells have not yet been placed on the proration schedule. Cumulative production from the field is over 23.9 BCF of gas, 1,700 MBC and 790 MBO.

The Briscoe Ranch (Eagleford) Field is under going rapid development which has caused a shortage of equipment and crews to perform necessary workovers to install tubing in flowing oil wells. Statewide Rule 13(b)(5)(a) requires flowing oil wells to be produced through tubing. Currently the rule does not allow for exceptions. Without an exception to this rule flowing oil wells will be required to be shut in until a workover crew can install tubing. Tubing is not run in until after the horizontal well has been fracture stimulated and cleaned out. The fracture stimulation requires high volumes of proppant, frac fluid and high pressures that exceed a typical tubing's burst strength. During the clean out period, drilled out composite plugs and frac fluid is flowed back. Oil and gas is often not recovered for days or weeks. Waiting times for workover crews to install tubing vary depending on the size of the operator. Large operators with many wells to drill will secure crew and equipment and keep them on call and are more available to run in tubing. Smaller operators depend on vendors' schedule and may have to wait for months before crew and equipment become available.

Operators fear shutting the well may permanently damage the well's completion as frac fluid will remain in the reservoir and may negatively impact the long term production characteristics of the wells. Wellhead control will be maintained as a "frac tree" is typically kept on the well until tubing is run on the well. A six month exception is needed as typically, new oil wells have high initial rates of production, followed by steep decline. The Chesapeake's, Lazy A Cotulla, Well No. 1H experienced a 48% decline in six months as production decline from 666 BOPD to 344 BOPD. The Newfield Exploration Company's Ferguson-McKnight 526, Well No. 1H experienced a 63% decline in six months as production decline from 275 BOPD to 102 BOPD.

Newfield requests an oil well will be granted administratively a six month exception to the provisions of Statewide Rule 51(a) regarding the 10 day rule for filing the potential test after testing of the well. This will allow for the backdating of allowables on the oil wells without requiring a waiver to be secured from all field operators. This rule will grant the Commission the authority to issue an allowable back to the initial completion date for all oil wells in the field to prevent unnecessary shut-ins to alleviate potential overproduction issues related to the completion paperwork filings and producing the oil wells without tubing. The proposed exceptions to Statewide Rule 13(b)(5)(a) and Statewide Rule 51(a) will allow

operators of flowing oil wells in this field the flexibility to set a packer and tubing and file completion paperwork, without penalties, once the pressure and production rates have declined. Commission staff in the Field Operations Section and the San Antonio District Office have no issues with approving the proposed rules.

FINDINGS OF FACT

1. Notice of these hearings 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. There are approximately 42 oil wells and 52 gas wells on the proration schedule. There are a total of 204 oil and gas wells completed in the field with most wells have not yet been placed on the proration schedule.
3. Cumulative production from the field is over 23.9 BCF of gas, 1,700 MBC and 790 MBO.
4. The Eagleford Shale has areas that produce oil, wet gas and dry gas. Horizontal drilling is expanding rapidly in the oil sections of the Eagleford Shale.
5. The rapid expansion of drilling is causing a shortage of equipment and crews to perform necessary workovers to install tubing in flowing oil wells.
6. Tubing installation can not occur until after the well has been fracture stimulated and the composite plug debris has been flowed back.
 - a. Frac treatment requires high volumes of fluid and proppant that tubing can not accommodate.
 - b. Frac treatment requires high pressures that tubing can not accommodate as the pressures required exceed the tubing's burst pressure.
7. Statewide Rule 13(b)(5)(a) requires flowing oil wells to be produced through tubing. Currently the rule does not allow for exceptions.
8. Statewide Rule 13(b)(5)(a) does not require flowing gas wells to be produced through tubing.
9. Without an exception to this rule flowing oil wells will be required to be shut in until a workover crew can install tubing.

10. A six month exception is needed as typically, new oil wells have high initial rates of production, followed by steep decline.
 - a. The Chesapeake's, Lazy A Cotulla, Well No. 1H experienced a 48% decline in six months as production decline from 666 BOPD to 344 BOPD.
 - b. The Newfield Exploration Company's Ferguson-McKnight 526, Well No. 1H experienced a 63% decline in six months as production decline from 275 BOPD to 102 BOPD.
 - c. Additional time is needed to schedule workover rigs and crew during the current high demand environment.
11. Shutting in oil wells to make up overproduction is not necessary to prevent waste. The gas wells produce under AOF status.

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. Adopting the field rules for the Briscoe Ranch (Eagleford) Field as proposed by Newfield Exploration Company will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Field Rules No. 5 & 6 for the Briscoe Ranch (Eagleford) Field be adopted as proposed by Newfield Exploration Company.

Respectfully submitted,

Andres J. Trevino P.E.
Technical Examiner