

**THE APPLICATION OF XTO ENERGY INC. TO AMEND FIELD RULE NO. 2 AND
ADOPT FIELD RULE NO. 5 FOR THE TEAGUE (CV-BOSSIER CONS.) FIELD,
FREESTONE COUNTY, TEXAS**

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

DATE OF HEARING: September 19, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Rick Johnston
Alissa H. Sorola
Amanda Byerly

XTO Energy Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Teague (CV-Bossier Cons.) Field were originally adopted in Final Order No. 05-0246979, effective June 6, 2006, as amended. The Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 10,357 feet to 12,728 feet as shown on the log of the Samedan Oil Company - Cosson Gas Unit, Well No. 2 (API No. 42-161-30099);
2. 467'-600' well spacing;
3. 640 acre gas units with optional 20 acre density;
4. Allocation based on 95% deliverability and 5% per well with AOF status.

XTO Energy Inc. ("XTO") requests that Field Rule No. 2 be amended to provide for 330'-0' well spacing with special provisions for "take points", "off-lease" penetration point and a 50 foot "box" rule for horizontal drainhole wells. XTO also requests that Field Rule No. 5 be adopted to provide for "stacked laterals" for horizontal drainhole wells and that the allocation formula remain suspended.

OIL AND GAS DOCKET NO. 05-0272194

The application was unopposed and the examiner recommends that Field Rule No. 2 be amended and Field Rule No. 5 be adopted for the Teague (CV-Bossier Cons.) Field, as proposed by XTO.

DISCUSSION OF EVIDENCE

The Teague (CV-Bossier Cons.) Field was created in June 2006 by the consolidation of various Teague and Mimms Creek Fields. The field has an average depth of 10,300 feet and is designated as non-associated with 890 producing gas wells and fifteen operators carried on the proration schedule. The field operates under Field Rules that provide for a designated interval, 467'-600' well spacing and 640 acre gas units with optional 20 acre density. The allocation formula is currently suspended. Cumulative production from all of the fields contained in the consolidated field through June 2011 is 1.1 TCFG and 998.9 MBO.

XTO is proposing to drill additional horizontal wells and requests horizontal rules in order to promote the efficient and effective development of the remaining hydrocarbons. XTO requests a spacing rule that requires 330'-0' well spacing with special provisions for "take points", "off-lease" penetration point and a 50 foot "box rule" for horizontal drainhole wells. XTO argues that the proposed spacing is necessary to allow drilling of horizontal wells which may have to be placed very near each other in some cases. Similar horizontal drainhole well rules have already been adopted in the Carthage (Haynesville Shale) Field and other Cotton Valley Fields, as well as, in the Newark, East (Barnett Shale) Field.

XTO proposes a tolerance "box rule" for horizontal drainhole wells that would allow drainholes to deviate 50 feet from either side of their permitted track without the necessity of obtaining a Statewide Rule 37 exception. As drilled wells for which all points are located within the "box" would be considered in compliance with their drilling permits.

XTO also requests that a Field Rule be adopted to accommodate the drilling of stacked horizontal lateral wells. The gross thickness of the Cotton Valley/Bossier interval is almost 2,500 feet. XTO believes that several separate laterals may be necessary to effectively develop the reservoir with horizontal wells. The rule would allow stacked horizontal laterals within the Cotton Valley/Bossier correlative interval that are drilled from different surface locations to be considered a single well for regulatory purposes. It is proposed that a stacked lateral be defined to be multiple horizontal drainholes which are drilled from different surface locations.

The allocation formula is currently suspended and XTO requests that it remain suspended, as there is a 100% market demand for all of the gas produced from the field.

OIL AND GAS DOCKET NO. 05-0272194

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Teague (CV-Bossier Cons.) Field was created in June 2006 by the consolidation of various Teague and Mimms Creek Fields.
 - a. The field has an average depth of 10,300 feet and is designated as non-associated with 890 producing gas wells and fifteen operators carried on the proration schedule.
 - b. The field operates under Field Rules that provide for a designated interval, 467'-600' well spacing and 640 acre gas units with optional 20 acre density.
 - c. The allocation formula is currently suspended.
3. The Teague (CV-Bossier Cons.) Field is actively being developed with horizontal drainhole wells.
4. Field Rules that provide for 330'-0' well spacing with special provisions for "take points", "off-lease" penetration point, a "box rule" and "stacked laterals" for horizontal wells will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
5. The proposed 50 foot "box rule" is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
6. The proposed "stacked lateral" rule will allow stacked horizontal laterals within the Cotton Valley/Bossier correlative interval that are drilled from different surface locations to be considered a single well for regulatory purposes, which will facilitate the additional recovery of gas.
7. Similar horizontal drainhole well rules have already been adopted in the Carthage (Haynesville Shale) Field and other Cotton Valley Fields, as well as, in the Newark, East (Barnett Shale) Field.
8. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all of the gas produced from the field.

OIL AND GAS DOCKET NO. 05-0272194

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. Amending Field Rule No. 2 and adopting Field Rule No. 5 for the Teague (CV-Bossier Cons.) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend Field Rule No. 2 and adopt Field Rule No. 5 for the Teague (CV-Bossier Cons.) Field, as proposed by XTO Energy Inc.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner