



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0277948

THE APPLICATION OF CHESAPEAKE OPERATING, INC. TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED EMPEROR (WOODFORD SHALE) FIELD, ANDREWS COUNTY, TEXAS

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

HEARING DATE: September 20, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

Bill Spencer
Cary McGregor

Chesapeake Operating, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Chesapeake Operating, Inc. ("Chesapeake") requests that a new field designation called the Emperor (Woodford Shale) Field (ID No. 28961 900) be approved for its Bruce & Bar 73-18 Lease, Well No. 1H. Chesapeake proposes that the following Field Rules be adopted for the new field:

1. Designation of the field as the correlative interval from 9,727 feet to 10,182 feet as shown on the log of the Chesapeake Operating, Inc. - Bruce & Bar 73-18 Lease, Well No. 1H (API No. 42-003-42271);
2. Allocation based on 75% acres and 25% per well with a top oil allowable based on the 1965 Yardstick Allowable of 172 barrels of oil per day.

Chesapeake had originally requested a two factor allocation formula. However, the examiners noted that the proposed correlative interval was one geologic interval and was a uniform shale zone. The examiners recommended a one factor allocation formula based on 100% acres. Chesapeake did not consider this recommendation to be adverse.

The application is unopposed and the examiners recommend approval of the new field designation and Field Rules for the Emperor (Woodford Shale) Field, as proposed by Chesapeake.

DISCUSSION OF THE EVIDENCE

Chesapeake completed its Bruce & Bar 73-18 Lease, Well No. 1H, in June 2011 with perforations in the Woodford Shale formation from 10,128 feet (MD) to 13,930 feet (MD). On initial test, the well produced flowing at a maximum rate of 46 BOPD, 53 MCFGPD and 192 BWPD. There is no comparable production within a 2.5 mile radius of the discovery well.

A new field designation should be approved for the Bruce & Bar 73-18 Lease, Well No. 1H. Chesapeake requests that the field be defined as the correlative interval from 9,727 feet to 10,182 feet as shown on the log of the Chesapeake Operating, Inc. - Bruce & Bar 73-18 Lease, Well No. 1H (API No. 42-003-42271), Section 18, Block 73, PSL Survey, A-2089, Andrews County, Texas. This interval includes the entire Woodford Shale formation, which is located between the base of the Mississippian formation and the top of the Devonian formation.

Chesapeake proposes that the field remain on Statewide Rules for spacing and density. Chesapeake also requests an allocation formula based on 100% acres be adopted for the field and the top oil allowable be based on the 1965 Yardstick Allowable of 172 barrels of oil per day.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. Chesapeake Operating, Inc. ("Chesapeake") completed its Bruce & Bar 73-18 Lease, Well No. 1H, in June 2011 with perforations in the Woodford Shale formation from 10,128 feet (MD) to 13,930 feet (MD). On initial test, the well produced flowing at a maximum rate of 46 BOPD, 53 MCFGPD and 192 BWPD.
3. The Bruce & Bar 73-18 Lease, Well No. 1H, is entitled to a new field designation as there is no comparable production within a 2.5 mile radius of the discovery well.
4. The Emperor (Woodford Shale) Field should be defined as the correlative interval from 9,727 feet to 10,182 feet as shown on the log of the Chesapeake Operating, Inc. - Bruce & Bar 73-18 Lease, Well No. 1H (API No. 42-003-42271), Section 18, Block 73, PSL Survey, A-2089, Andrews

County, Texas. This interval includes the entire Woodford Shale formation, which is located between the base of the Mississippian formation and the top of the Devonian formation.

5. Allocation based on 100% acres and a top oil allowable based on the 1965 Yardstick Allowable of 172 barrels of oil per day is a reasonable formula which will satisfy state statutes and protect correlative rights of mineral owners in the field.

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 for the Emperor (Woodford Shale) Field will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the new field designation and adopt Field Rules for the proposed Emperor (Woodford Shale) Field, as requested by Chesapeake Operating, Inc.

Respectfully submitted,


Richard D. Atkins, P.E.
Technical Examiner


Randall Collins
Legal Examiner



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