



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 10-0272905

**THE APPLICATION OF CORDILLERA ENERGY PARTNERS III, LLC, INC. TO AMEND
FIELD RULES FOR THE BEGERT (10,200) FIELD, HEMPHILL COUNTY, TEXAS**

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Marshall F. Enquist - Hearings Examiner

HEARING DATE: November 28, 2011

APPEARANCES:

Jim Clark

REPRESENTING:

Cordillera Energy Partners III, LLC.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Begert (10,200) Field were last amended in Final Order No. 10-0260329, effective February 10, 2009, and are summarized as follows:

1. Designation of the field as the correlative interval from 10,200' to 13,490' as shown on the log of the Laredo Petroleum, Begert Trust 3 Well No. 1 (No Change);
2. 330'-660' well spacing;
3. 160 acre gas units with 10% tolerance and maximum diagonal of 4,500 feet;
4. Allocation based on 95% deliverability and 5% acreage 100% AOF (No Change).

Cordillera requests that the rules for the field be amended as follows:

1. (No Change);
2. 330'-0' well spacing, special language for "take points" in horizontal wells, 33' box rule, and off-lease penetration points;



3. (No Change);
4. (No Change);
5. Special provisions for stacked lateral wells.

The application was unopposed and the examiner recommends that the field rules for the Begert (10,200) Field be amended as proposed by Cordillera.

DISCUSSION OF EVIDENCE

The Begert (10,200) Field was discovered in January 2008 at a depth of 10,200 feet. The field is designated as a non-associated field with 117 vertical gas wells in the field. The field operates under Special Rules that allow 160 acre density and 330'/660' well spacing and the allocation formula is currently suspended.

Cordillera requests the between well spacing be eliminated. This spacing will allow flexibility in placing horizontal wells between the numerous vertical wells without Rule 37 exceptions and promote development of the field.

Cordillera is amending the existing field rules in the Begert (10,200) Field to adopt horizontal rules to allow efficient and orderly development of the Begert (10,200) Field with horizontal wells. The Begert (10,200) Field produces from Granite Wash zones. The proposed horizontal rules are similar to horizontal rules found in other Granite Wash fields in the area. Cordillera requests adoption of 330' lease line spacing and 0' between well spacing to be consistent with the spacing rules of other fields undergoing horizontal development. The 0' between well spacing will allow the drilling of horizontal wells in between the numerous existing vertical wells.

Cordillera requests several standard horizontal well provisions commonly adopted when horizontal well development is anticipated. The provisions include take point language to allow flexible drilling of the laterals and off-lease penetration to allow the additional recovery of reserves by allowing the lateral to be horizontal at a legal lease line location. An additional stage frac will be placed on each lateral if off lease penetration is allowed.

It is also requested that spacing rules for the field be adopted to accommodate the drilling of stacked horizontal lateral wells. The gross thickness of the Granite Wash field interval is almost 3,300 feet. Within the correlative interval there are distinct intervals that are productive. Cordillera believes that several separate laterals may be necessary to effectively develop the reservoirs with horizontal wells. Similar stacked lateral rules have already been adopted in several Granite Wash fields in the area. The rule would allow

stacked horizontal laterals within the Granite Wash correlative interval that are drilled from different wellbores to be considered a single well for regulatory purposes.

Cordillera proposes a 33 foot "box rule" for horizontal drainhole wells that would allow drainholes to deviate 33 feet from either side of their permitted track without the necessity of obtaining a Statewide Rule 37 exception. Cordillera requests that the allocation formula for the field remain suspended.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Begert (10,200) Field is a non associated field which operates under Special Rules that allow 160 acre density and 330'/660' well spacing and AOF status.
3. The Begert (10,200) Field was discovered in January 2008 at a depth of 10,200 feet. The field has 117 vertical gas wells in the field.
4. Field rules that provide for 330 feet lease line spacing, eliminate between well spacing for all wells in the field, take point language, off lease penetration, stacked laterals and a "box rule" for horizontal wells will provide consistency with other Granite Wash fields under going horizontal drilling.
5. Adopting field rules that provide for 330 feet lease line spacing and eliminating between well spacing, similar to other Granite Wash fields, will allow horizontal wells be drilled between numerous existing vertical wells.
6. The proposed 33 foot "box rule" is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
7. Allowing off-lease penetration will allow an additional stage frac to be placed on each lateral causing the recovery of additional reserves that would otherwise be left in the ground.
8. Given that the gross thickness of the Granite Wash in this field is almost 3,300 feet, multiple stacked laterals may be required to fully develop the reservoir.
9. The proposed "stacked lateral" rule for the Begert (10,200) Field will allow stacked horizontal laterals within the Granite Wash correlative interval that

are drilled from different wellbores to be considered a single well for regulatory purposes.

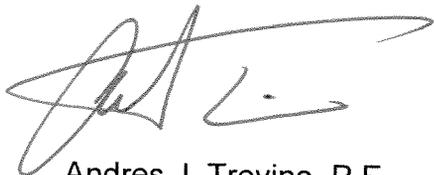
10. Continued suspension of the allocation formula is appropriate, as there is a 100% market for all the gas produced.

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 the field rules for the Begert (10,200) 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 examiners recommend amendment of the field rules for the Begert (10,200) Field as proposed by Cordillera Energy Partners III, LLC.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Marshall F. Enquist
Hearings Examiner