

APPLICATION OF XTO ENERGY, INC. TO CONSIDER A BLANKET EXCEPTION TO STATEWIDE RULE 10 FOR ALL CURRENT AND FUTURE WELLS IN THE BEAR GRASS (COTTON VALLEY CONS), BEAR GRASS (TRAVIS PEAK) AND BEAR GRASS (PETTIT) FIELDS, FREESTONE, LEON, LIMESTONE AND ROBERTSON COUNTIES, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: August 29, 2011

APPEARANCES:

Rick A. Johnston

REPRESENTING:

XTO Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

XTO Energy, Inc. requests exceptions to Statewide Rule 10 for any well presently or ever completed in the Bear Grass (Cotton Valley Cons), Bear Grass (Travis Peak) and Bear Grass (Pettit) Fields. XTO Energy, Inc, Inc. also requests that the commingled wellbores be assigned to the Bear Grass (Cotton Valley Cons) Field for proration purposes. The examiner recommends approval of the requested Blanket Rule 10 authority.

DISCUSSION OF THE EVIDENCE

The Bear Grass (Pettit) Field has five operators with 19 gas wells. The Bear Grass (Travis Peak) Field has eight operators with 92 gas wells. The Bear Grass (Cotton Valley Cons) Field has 13 operators with approximately 292 gas wells carried on the proration schedule. There have already been over 146 exceptions to Statewide Rule 10 allowing wells to be commingled in these three fields, and the commingled wells are carried in the Bear Grass (Cotton Valley Cons) Field. XTO Energy wants to be able to downhole commingle any well in these three fields upon payment of the fee and submission of a abbreviated Rule 10 data sheet. No new technical data would be required, but operators would have to indicate that ownership in the three fields was identical.

The Bear Grass (Pettit) Field was discovered in 1979 at a depth of 8,847'. Field rules specifying 467-600' well spacing and 640 acre proration units with 40 acre optional units were adopted. Production data shows the field has produced 13.4 BCF of gas and 104.5 MB of condensate. Currently the field is producing 40MMcf/month of gas. The

allocation formula in the Pettit is suspended. XTO Energy operates about 15 of the 19 wells in the field which have yet to commingled. The majority of the wells are commingled into the Bear Grass (Cotton Valley Cons) Field.

The Bear Grass (Travis Peak) Field was discovered in 1980 at a depth of 9,272'. Field rules specifying 467-600' well spacing and 320 acre proration units with 20 acre optional units were adopted. Production data shows the field has produced 138.7 BCF of gas and 798.5 MB of condensate. Currently the field is producing 500MMcf/month of gas. The allocation formula in the Travis Peak is suspended. XTO Energy operates about 47 of the 92 wells in the field which have yet to commingled. The majority of the wells are commingled into the Bear Grass (Cotton Valley Cons) Field.

The Bear Grass (Cotton Valley Cons) Field was consolidated in 2004 and is found at a depth of 12,000'. Field rules specifying 330-0' well spacing and 320 acre proration units with 20 acre optional units with horizontal rules were adopted. Production data shows the field has produced 366.1 BCF of gas and 58.7 MB of condensate. Currently the field is producing 4.6 Bcf/month of gas. The allocation formula in the Cotton Valley is suspended. XTO Energy operates about 144 of the 300 wells in the field.

The initial downhole commingling authority was granted to Marathon Oil in 1993 between the Bear Grass (Pettit) and the Bear Grass (Travis Peak) Fields. The vast majority of the authorities were granted more recently since 2005. XTO Energy believes downhole commingling wells in these fields will lower the economic limit and thereby increase recovery.

No fluid compatibility problems have occurred in previously commingled wells. Any cross-flow which may occur will therefore not cause reservoir damage. XTO Energy does not expect any cross-flow to occur because the zones similar bottom hole pressures.

It is requested that the commingled wellbores be assigned to the Bear Grass (Cotton Valley Cons) Field for proration purposes.

XTO Energy provided notice of this hearing to all operators in all of the subject fields. No one appeared at the hearing to protest the application.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the Bear Grass (Cotton Valley Cons), Bear Grass (Travis Peak) and Bear Grass (Pettit) Fields.
2. The Bear Grass (Pettit) Field was discovered in 1979 at a depth of 8,847'. Field rules specifying 467-600' well spacing and 640 acre proration units with 40 acre optional units were adopted.

3. The Bear Grass (Travis Peak) Field was discovered in 1980 at a depth of 9,272'. Field rules specifying 467-600' well spacing and 320 acre proration units with 20 acre optional units.
4. The Bear Grass (Cotton Valley Cons) Field was consolidated in 2004 and is found at a depth of 12,000'. Field rules specifying 330-0' well spacing and 320 acre proration units with 20 acre optional units with horizontal rules.
5. Cumulative production from the Bear Grass (Pettit) Field is 13.4 BCF of gas and 104.5 MBC, cumulative production from the Bear Grass (Travis Peak) Field is 138.7 BCF of gas and 798.5 MBC and cumulative production from the Bear Grass (Cotton Valley Cons) Field is 366.1 BCF of gas and 58.7 MBC.
6. There have already been 146 exceptions to Statewide Rule 10 allowing wells to be commingled in these three fields, and the commingled wells are carried in the Bear Grass (Cotton Valley Cons) Field.
 - a. The current monthly of the Bear Grass (Pettit) Field is 40 MMCF per month.
 - b. The current monthly of the Bear Grass (Travis Peak) Field is 500 MMCF per month.
 - c. The current monthly of the Bear Grass (Cotton Valley Cons) Field is 4.6 BCF per month.
7. Cross-flow between the fields is not expected because bottomhole pressures are similar. No fluid compatibility problems have been observed in previously commingled wells.
8. Downhole commingling production from these fields will prevent waste because separate completions in the Pettit and Travis Peak are generally not economic any more.
9. Downhole commingling wells in these fields will lower the economic limit and thereby increase recovery.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.

3. Approval of the requested Rule 10 exceptions for all wells in the Bear Grass (Cotton Valley Cons), Bear Grass (Travis Peak) and Bear Grass (Pettit) Fields will prevent waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested Rule 10 exceptions for all wells in the Bear Grass (Cotton Valley Cons), Bear Grass (Travis Peak) and Bear Grass (Pettit) Fields, as specified in the attached order.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner
Office of General Counsel