



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 7C-0268911

THE APPLICATION OF FIML NATURAL RESOURCES, LLC TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 10 FOR THE WARD NO. 316A IN THE ADAMS-BAGGETT RANCH (CANYON SD.) FIELD AND WILDCAT FIELD, CROCKETT COUNTY, TEXAS

Heard by: Donna K. Chandler, Technical Examiner

Hearing Date: February 11, 2011

Appearances:

Representing:

Mike McElroy
Rick Johnston

FIML Natural Resources, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

FIML Natural Resources, LLC requests an exception to Statewide Rule 10 to downhole commingle production from the Adams-Baggett Ranch (Canyon Sd.) and Wildcat Shale interval between 3,767 and 3,972 feet in the Ward No. 316A.

This application was unopposed and the examiner recommends approval of the exception.

DISCUSSION OF EVIDENCE

The Ward No. 316A was completed in January 2007 in the Adams-Baggett Ranch (Canyon Sd.) Field with perforations between 5,303 and 5,440 feet. The well produced at a rate of 74 MCFD on initial test. By early 2010, the well was producing less than 5 MCFD from the Canyon Sand.

In February 2010, FIML received approval from the District Office to set a cast iron bridge plug in the well at 5,248 feet and test a Canyon Shale interval with perforations between 3,767 and 3,972 feet. FIML filed a completion report for the Canyon Shale completion with a test rate of 7 MCFD.

FIML now seeks authority to remove the cast iron bridge plug between the sets of perforations and downhole commingle the production from the Canyon Sand and Canyon Shale. Estimate combined production is expected to be 10 MCFD.

The estimated bottomhole pressure in the Shale interval is 1,800 psi while the Canyon interval has a depleted pressure about 900 psi. FIML expects no harmful crossflow from the Shale into the Canyon because the permeability of the Shale is very low and producing volumes are very limited.

FIML expects to recover an additional 37 MMCF of gas as a result of commingling the two zones. Without commingling, these reserves would not be recovered and the Shale perforations would be squeezed off.

The well is a regular location with respect to both the Adams-Baggett Ranch (Canyon Sd.) Field and the Wildcat Field. Royalty and Working interests are identical with respect to all zones proposed for commingling.

FINDINGS OF FACT

1. Notice of this hearing was given to all affected persons at least ten days prior to the date of hearing. No protests were received.
2. The Ward No. 316A was completed in January 2007 in the Adams-Baggett Ranch (Canyon Sd.) Field with perforations between 5,303 and 5,440 feet. The well produced at a rate of 74 MCFD on initial test.
3. In February 2010, FIML received approval from the District Office to recomplete the well to test a Canyon Shale interval with perforations between 3,767 and 3,972 feet. This zone produced at a rate of 7 MCFD.
4. Downhole commingling of the Canyon Sand and Canyon Shale intervals will result in the recovery of an additional 37 MMCF of gas.
5. Estimated combined production is expected to be 10 MCFD.
6. Any crossflow which may occur between the two zones will be minimal due to the low permeability of the Shale.
7. The well is a regular location with respect to both the Adams-Baggett Ranch (Canyon Sd.) Field and the Wildcat Field.
8. Royalty and Working interests are identical with respect to all zones proposed for commingling.

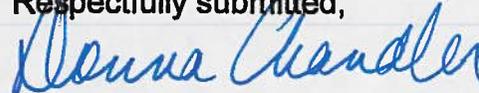
CONCLUSIONS OF LAW

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 Rule 10 exception is necessary to prevent waste and will not harm correlative rights of mineral owners in the well.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that a Rule 10 exception be approved for the Ward No. 316A in the Adams-Baggett Ranch (Canyon Sd.) and Wildcat Fields.

Respectfully submitted,



Donna K. Chandler
Technical Examiner