

THE APPLICATION OF LEOR ENERGY INDIGO LP TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED STEEL HORSE (BOSSIER) FIELD, TRINITY COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
James M. Doherty - Legal Examiner

HEARING DATE: March 16, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

Ana Maria Marsland-Griffith	Leor Energy Indigo LP
David M. Tubbs	

OBSERVERS:

Richard Foshee	Martin Fuels Co., Inc.
Jimmy and Ruth Ratcliff	Themselves

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Leor Energy Indigo LP ("Leor") requests that a new field designation called the Steel Horse (Bossier) Field (ID No. 85799 500) be approved for its Forestar Lease, Well No. 1. Leor proposes that the following Field Rules be adopted for the new field:

1. Designation of the field as the correlative interval from 16,870 feet to 19,430 feet as shown on the log of the Shell Oil Company - Temple Industries Lease, Well No. 1 (API No. 42-455-30007);
2. Allocation based on 95% deliverability and 5% per well with AOF status.

Leor had originally requested the Crazy Horse (Bossier) Field name. However, that name was unavailable, so after the hearing, Leor choose the Steel Horse (Bossier) Field name. Since there were unleased mineral owners within the 2.5 mile radius that could not be located, Leor published the subject application in the *Groveton News*, a newspaper of general circulation in Trinity County, for four consecutive weeks beginning on February 9,

2012.

The application is unopposed and the examiners recommend approval of the new field designation and Field Rules for the Steel Horse (Bossier) Field, as proposed by Leor.

DISCUSSION OF THE EVIDENCE

Leor completed its Forestar Lease, Well No. 1, in September 2011 with perforations in the Bossier formation from 17,076 feet to 18,408 feet. On initial test, the well produced flowing at a maximum rate of 1.3 MMCFGPD and 176 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 Forestar Lease, Well No. 1. Leor requests that the field be defined as the correlative interval from 16,870 feet to 19,430 feet as shown on the log of the Shell Oil Company - Temple Industries Lease, Well No. 1 (API No. 42-455-30007), G. Ricardo Survey, A-34, Trinity County, Texas. This interval includes the Upper Bossier formation, with the top occurring at the base of the Knowles Lime formation.

Leor proposes that the field remain on Statewide Rules for spacing and density. To satisfy state statutes, Leor requests that a two factor allocation formula based on 95% deliverability and 5% per well be adopted for the field. Leor also requests that the allocation formula be suspended, as there is a 100% market demand for all of the gas produced from the field.

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. Leor published the subject application in the *Groveton News*, a newspaper of general circulation in Trinity County, for four consecutive weeks beginning on February 9, 2012.
3. Leor completed its Forestar Lease, Well No. 1, in September 2011 with perforations in the Bossier formation from 17,076 feet to 18,408 feet. On initial test, the well produced flowing at a maximum rate of 1.3 MMCFGPD and 176 BWPD.
4. The Forestar Lease, Well No. 1, is entitled to a new field designation as there is no comparable production within a 2.5 mile radius of the discovery well.
5. The Steel Horse (Bossier) Field should be defined as the correlative interval from 16,870 feet to 19,430 feet as shown on the log of the Shell Oil

Company - Temple Industries Lease, Well No. 1 (API No. 42-455-30007), G. Ricardo Survey, A-34, Trinity County, Texas. This interval includes the Upper Bossier formation, with the top occurring at the base of the Knowles Lime formation.

6. Allocation based on 95% deliverability and 5% per acre is a reasonable formula which will satisfy state statutes and protect correlative rights of mineral owners in the field.
7. Suspension of the allocation formula is appropriate, as there is a 100% market demand for all of the gas produced from 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 Steel Horse (Bossier) 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 Steel Horse (Bossier) Field, as requested by Leor Energy Indigo LP.

Respectfully submitted,

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Technical Examiner

James M. Doherty
Legal Examiner