

OIL AND GAS DOCKET NO. 06-0254453

APPLICATION OF SAMSON LONE STAR LLC TO CONSOLIDATE THE DANVILLE, EAST (COTTON VALLEY) AND DANVILLE (TRAVIS PEAK CONS) FIELDS AND TO ADOPT FIELD RULES FOR THE PROPOSED DANVILLE (TP-CV CONS.) FIELD, GREGG AND RUSK COUNTIES, TEXAS

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

DATE OF HEARING: January 4, 2008

APPEARANCES:

James M. Clark

REPRESENTING:

Samson Lone Star, LLC

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Samson Lone Star, LLC for the Commission to consider consolidation of the Danville, East (Cotton Valley) and the Danville (Travis Peak Cons.) Fields into a new field to be known as the Danville (TP-CV Cons.) Field.

EOG requests that the following rules be adopted for the consolidated field:

1. Designated interval from 7,246 to 10,668 feet as shown on the log of the Flanagan Well No. 7;
2. Well spacing a minimum of 467 feet from lease lines with no between-well spacing limitation;
3. 40 acre unit density plus 10% tolerance no proration plats required while allocation remains suspended;
4. Allocation based 5% per well and 95% deliverability.

It is also proposed that the allocation formula remain suspended and that the filing of proration unit plats not be required while the allocation formula remains suspended. The examiner recommends approval of the proposed rules.

DISCUSSION OF THE EVIDENCE

The Danville, East (Cotton Valley) Field was discovered in 1979 at a depth of 10,611' subsurface depth. This associated field produces from the Cotton Valley sands. The field is governed by Statewide field rules. There are three operators in the field and 47 wells. The allocation formula has been suspended since 2004. The Danville (Travis Peak Cons.) Field was formed in 1994 with the consolidation of seven Danville Travis Peak and Pettit fields per Order 06-0205137. The field is governed by special field rules as adopted by Order No. 06-0203244, effective December 13, 1993, as amended. There are nine operators in the field and 114 wells. The allocation formula for this field is currently suspended. This associated field produces from the Travis Peak and Pettit Formations with a correlative interval from 7,470' to 8,960'.

The fields proposed for consolidation overlap each other and currently production is being commingled with each other. Cumulative production from both fields is over 66 BCF of gas and over 1.4 MMBC. The wells in the combined fields currently produce 907 MMCF of gas per month or an average of 186 MCFPD per well. The fields are in late stages of production. Of the 47 wells in the Danville, East (Cotton Valley) Field, 41 wells are commingled with Travis Peak production. Of the 114 wells in the Danville (Travis Peak Cons.) Field, 50 wells are commingled with Cotton Valley production. By consolidating the fields into the Danville (TP-CV Cons.) Field, a well drilled to the Cotton Valley (deepest zone) can be completed to produce the Travis Peak and the Pettit zones without the need for Rule 10 or Rule 37 exceptions.

The designated interval from 7,246 to 10,668 feet as shown on the log of the Flanagan Well No. 7 includes the Pettit, Travis Peak and Cotton Valley zones. The current low production rates from either field alone does not justify drilling a well just to produce from either zone alone. Consolidation will prevent waste by extending the economic life of all zones. Waste will be prevented by encouraging new drilling and recompletion of existing wells.

The proposed minimum well spacing of 467'/0' (leaseline/between well), will provide for flexibility in locating new wells near existing wells which have undrained Cotton Valley and/or Travis Peak zones. Samson request the well density for the consolidated field remain 40 acre units.

Because the proposed designated intervals contains multiple sands, a two factor allocation formula is required by statute. Samson proposes that allocation be based on 95% deliverability and 5% per well. This allocation formula is currently suspended and Samson requests continuation of this status. Samson additionally requests that the filing of proration plats not be required while the allocation formula remains suspended.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Danville (Travis Peak Cons.) Field was formed in 1994 with the consolidation of seven Danville Travis Peak and Pettit fields per Order 06-0205137.
 - a. The field is governed by special field rules as adopted by Order No. 06-0203244, effective December 13, 1993, as amended.
 - b. There are nine operators in the field and 114 wells.
 - c. The allocation formula has been suspended since 1995.
4. The Danville, East (Cotton Valley) Field was discovered in 1979 at a depth of 10,611' subsurface depth.
 - a. The field is governed by Statewide Rules.
 - b. There are three operators in the field and 47 wells.
 - c. The allocation formula has been suspended since 2004.
5. The designated interval from 7,246 to 10,668 feet as shown on the log of the Flanagan Well No. 7 includes the Pettit, Travis Peak and Cotton Valley zones.
6. There are over 90 commingling permits for wells in the Danville (Travis Peak Cons.) and the Danville, East (Cotton Valley) Fields.
7. 40 acre gas proration unit density is necessary to provide for the efficient and effective depletion of the subject field.
8. The proposed minimum well spacing, 467'/0' (leaseline/between well), will provide for flexibility in locating wells in all productive zones in the Danville (TP-CV Cons.) without the need for unnecessary Rule 37 exceptions.
9. Allocation based on 95% deliverability and 5% per well is a reasonable allocation formula which satisfies statutory requirements.
10. Continuation of the administrative suspension of the allocation formula for the proposed field is appropriate as there was no protest to the continuation presented at this hearing and there is 100% market demand for gas in the field.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.
4. Consolidation of fields and adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation and proposed field rules for the proposed Danville (TP-CV Cons.) Field and the suspension of the allocation formula.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Hearings Examiner