

OIL AND GAS DOCKET NO. 06-0247946

THE APPLICATION OF EL PASO PRODUCTION COMPANY FOR EXCEPTION TO RULE 10 FOR ALL WELLS OPERATED BY EL PASO IN THE MINDEN (TRAVIS PEAK CONS.) AND MINDEN (COTTON VALLEY CONS.) FIELDS, PANOLA AND RUSK COUNTIES, TEXAS

Heard by: Donna Chandler, Technical Examiner

Hearing Date: August 2, 2006

Appearances:

George Neale
Cary McGregor

Representing:

El Paso Production Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

El Paso Production Company requests exceptions to Statewide Rule 10 for all wells ever completed on leases it operates in the Minden (Cotton Valley Cons.) and Minden (Travis Peak Cons.) Field. El Paso requests that the commingled wellbores be assigned to the Minden (Cotton Valley Cons.) Field for proration purposes.

This application was unopposed and the examiner recommends approval of the requested Rule 10 authority. The Final Order reflects a change in operator name to El Paso E & P Company LP.

DISCUSSION OF THE EVIDENCE

The Travis Peak in this area has been developed since the 1950's. In March 2006, the Commission approved consolidation of 62 fields into the Minden (Travis Peak Cons.) Field in Docket No. 06-0245877. There are 89 active wells in the consolidated field and cumulative productive from all fields consolidated is 180 BCF of gas and 8 million BO. The gas field is currently AOF.

Similarly, the Commission approved consolidation of nine fields into the Minden (Cotton Valley Cons.) Field in September 2005 in Docket No. 06-0243684. There are 169

wells in the consolidated field and cumulative production from all fields consolidated is 51 BCF of gas. The field is non-associated and AOF status.

Most of the recent development has been in the Cotton Valley. Most of the Travis Peak intervals are depleted and operators generally add Travis Peak perforations after the Cotton Valley has depleted to 200-300 MCFD. Many Rule 10 exceptions have been granted for various Travis Peak and Cotton Valley fields in the area. El Paso submitted a tabulation of 217 Rule 10 approvals, more than half of which have been granted in the last two years. For the two subject consolidated fields, 13 exceptions have been granted since October 2005.

No fluid compatibility problems have occurred in previously commingled wells. El Paso submitted a water analysis for the Cotton Valley/Travis Peak which indicates very little scaling tendencies. Any cross-flow which may occur will therefore not cause reservoir damage. El Paso does not expect any cross-flow to occur because the zones will not be commingled the Cotton Valley pressure is depleted in wells.

El Paso estimates that incremental reserves as a result of commingling are 20-50 MMCF of gas per well. This is a result of a lower combined economic limit. El Paso expects to commingle up to 65 wellbores, resulting in additional recovery of a minimum of 1 BCF. Expected initial commingled production is 300-500 MCFD in each commingled well.

It is requested that wells which are downhole commingled in the subject fields be assigned to the Minden (Cotton Valley Cons.) Field for proration purposes.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the Minden (Travis Peak Cons.) and Minden (Cotton Valley Cons.) Fields.
2. The Minden (Travis Peak Cons.) Field was formed in 2006 as a result of consolidating 62 fields. The Minden (Cotton Valley Cons.) Field was formed in 2005 as a result of consolidating nine fields.
3. There are 89 wells in the Minden (Travis Peak Cons.) Field and 169 wells in the Minden (Cotton Valley Cons.) Field. Both fields are AOF.
4. Downhole commingling of the Cotton Valley and Travis Peak is common. More than 200 Rule 10 exceptions have been approved by the Commission in various fields in the past two years. The two subject consolidated fields have had 13 Rule 10 exceptions granted since October 2005.

5. Cross-flow between the fields is not expected because wells will not be commingled until pressures are equalized. No fluid compatibility problems have been observed in previously commingled wells and water analysis indicates very little scaling tendencies.
6. Downhole commingling production from these fields will prevent waste because separate completions in the Travis Peak are generally not economic any more.
7. Incremental recovery as a result of commingling is estimated to be 20-50 MMCF per well. The initial producing rate of commingled wells is expected to be 300-500 MCFD.

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 on leases operated by El Paso Production Company in the Minden (Travis Peak Cons.) and Minden (Cotton Valley Cons.) 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 on leases operated by El Paso Production Company in the Minden (Travis Peak Cons.) and Minden (Cotton Valley Cons.) Fields, as specified in the attached order.

Respectfully submitted,

Donna K. Chandler
Technical Examiner