

April 18, 2007

OIL AND GAS DOCKET NO. 06-0250941

APPLICATION OF EL PASO E&P COMPANY, LP TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 10 FOR THE LANDON LEASE WELL NO. 11, IN THE MINDEN (COTTON VALLEY CONS.), MINDEN (TRAVIS PEAK CONS.) AND MINDEN (COTTON VALLEY LIME) FIELDS, RUSK COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: April 11, 2007

APPEARANCES:

George C. Neale, attorney
Cary McGregor

REPRESENTING:

El Paso E&P Company

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of El Paso E&P Company for Commission approval to downhole commingle its Landon Lease Well No.11 in the Minden (Cotton Valley Cons.), Minden (Travis Peak Cons.) and Minden (Cotton Valley Lime) Fields. A public hearing was required because there are different mineral interest ownerships because of a depth separation. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Minden (Travis Peak Cons.) Field was created in March 2006 by consolidation of 62 Travis Peak Fields. The Minden (Cotton Valley Cons.) Field was created in September 2005 by consolidation of nine Cotton Valley Fields. The Minden (Cotton Valley Lime) Field was discovered in December 2005 (no wells in the field).

The El Paso E&P Company, Landon Lease Well No.11 was completed in the Minden (Cotton Valley Cons.) Field through perforations from 9,696' to 10,768' on November 11, 2006. The well potential at 750 MCFD. The well was drilled to a total depth of 11,998' subsurface depth. The Cotton Valley Lime was perforated from 11,422' to 11,506', fracture stimulated, tested and temporarily plugged. The Bossier Shale was perforated from 10,924' to 11,082', fracture stimulated, tested and temporarily plugged. There are numerous Travis Peak intervals that have not been tested above the Cotton Valley. The well has only been produced continuously from the Cotton Valley since initial completion.

Downhole commingling will provide for the recovery of reserves that would otherwise not be recovered. Commingling will optimize the recovery from each zone and save on operating costs. All zones will share in reaching an individual lower economic limit as one rather than a higher

economic limit per zone. An additional 75 MMCF of gas will be recovered by downhole commingling the zones. It is proposed the well remain in the Minden (Cotton Valley Cons.) Field if downhole commingling is approved. Numerous wells have been granted downhole commingling between the fields.

A fair and reasonable allocation is necessary as there is a royalty ownership difference between the Cotton Valley/Travis Peak zones and the Bossier Shale/Cotton Valley Lime zones. The working interest ownership is the same in all the subject fields. The royalty ownership is the same for all the zones except for one royalty owner in the lower interval with a combined royalty ownership of less than 0.0025%. The proposed allocation is based on the current gas rate/test for the Cotton Valley, Bossier Shale and Cotton Valley Lime (adjusted for risk factors). The allocation shall be 77% for the Cotton Valley and 23% for the Bossier Shale/Cotton Valley Lime. If and when the Travis Peak is included, the final allocation between the owners shall be based on the "Current" rates at the time of rework.

FINDINGS OF FACT

1. Notice of this hearing was sent to all person entitled to notice at least ten (10) days prior the subject hearing.
2. There was no protest at the call of the hearing.
3. The Minden (Travis Peak Cons.) Field was created in March 2006 by consolidation of 62 Travis Peak Fields. The Minden (Cotton Valley Cons.) Field was created in September 2005 by consolidation of nine Cotton Valley Fields. The Minden (Cotton Valley Lime) Field was discovered in December 2005 (no wells in the field).
4. The El Paso E&P Company, Landon Lease Well No.11 was completed in the Minden (Cotton Valley Cons.) Field through perforations from 9,696' to 10,768' on November 11, 2006.
 - a. The Cotton Valley Lime was perforated from 11,422' to 11,506', fracture stimulated, tested and temporarily plugged.
 - b. The Bossier Shale was perforated from 10,924' to 11,082', fracture stimulated, tested and temporarily plugged.
 - c. There are numerous Travis Peak intervals that have not been tested above the Cotton Valley.
 - d. The well has only been produced continuously from the Cotton Valley since initial completion.
5. Downhole commingling will result in the recovery of 75 MMCF of incremental hydrocarbon

reserves.

- a. Commingling will optimize the recovery from each zone and save on operating costs.
 - b. All zones will share in reaching an individual lower economic limit as one rather than a higher economic limit per zone.
6. A fair and reasonable allocation is necessary as there is a royalty ownership difference between the Cotton Valley/Travis Peak zones and the Bossier Shale/Cotton Valley Lime zones.
- a. The working interest ownership is the same in all the subject fields.
 - b. The royalty ownership is the same for all the zones except for one royalty owner in the lower interval with a combined royalty ownership of less than 0.0023%.
7. The proposed allocation is based on the current gas rate/test for the Cotton Valley, Bossier Shale and Cotton Valley Lime (adjusted for risk factors).
- a. The allocation shall be 77% for the Cotton Valley and 23% for the Bossier Shale/Cotton Valley Lime.
 - b. If and when the Travis Peak is included, the final allocation between the owners shall be based on the "Current" rates at the time of rework.
10. The subject well should be placed and prorated in the Minden (Cotton Valley Cons.) Field.

CONCLUSIONS OF LAW

1. Notice of this hearing and application was provided in accordance with all applicable and regulatory statutes and rules.
2. All things have occurred or have been accomplished to afford the Commission jurisdiction to decide this matter.
3. Consideration of approval of this application for exception to Statewide Rule 10 is a matter properly within the statutory jurisdiction of the Commission to foster conservation and prevent waste.
4. Approval of the downhole commingling request of the El Paso E&P Company, Landon Lease Well No.11 in the Minden (Cotton Valley Cons.), Minden (Travis Peak Cons.) and Minden (Cotton Valley Lime) Fields 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 for downhole commingling of the El Paso E&P Company, Landon Lease Well No.11 in the Minden (Cotton Valley Cons.), Minden (Travis Peak Cons.) and Minden (Cotton Valley Lime) Fields.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel