

July 3, 2007

**OIL AND GAS DOCKET NO. 06-0252140**

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**APPLICATION OF EL PASO E&P COMPANY, LP TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 10 FOR THE VIPER 4 LEASE WELL NO. 1, IN THE MINDEN (COTTON VALLEY CONS.) AND MINDEN (COTTON VALLEY LIME) FIELDS, RUSK COUNTY, TEXAS**

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

**DATE OF HEARING:** June 25, 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 unopposed application of El Paso E&P Company for Commission approval to downhole commingle its Viper 4 Lease Well No.1 in the Minden (Cotton Valley 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 (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, Viper 4 Lease Well No.1 was completed in the Minden (Cotton Valley Cons.) Field through perforations from 9,560' to 10,666' on February 13, 2007. The well potential at 1,006 MCFD. The well was drilled to a total depth of 11,700' subsurface depth. The Cotton Valley Lime was perforated from 11,420' to 11,450', fracture stimulated, tested and temporarily plugged. 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 25.2 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 and the 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 two royalty owner in the lower interval with a combined royalty ownership of less than 0.128%. The proposed allocation is based on the current gas rate/test for the Cotton Valley and Cotton Valley Lime. The allocation shall be 73% for the Cotton Valley and 27% for the Cotton Valley Lime.

### **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 (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, Viper 4 Lease Well No.1 was completed in the Minden (Cotton Valley Cons.) Field through perforations from 9,560' to 10,666' on February 13, 2007.
  - a. The Cotton Valley Lime was perforated from 11,420' to 11,450', fracture stimulated, tested and temporarily plugged.
  - b. The well has only been produced continuously from the Cotton Valley since initial completion.
5. Downhole commingling will result in the recovery of 25.2 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 and the 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 0.128%.

7. The proposed allocation is based on the current gas rate/test for the Cotton Valley and Cotton Valley Lime zones.
  - a. The allocation shall be 73% for the Cotton Valley and 27% for the Cotton Valley Lime.
8. 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, Viper 4 Lease Well No.1 in the Minden (Cotton Valley 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, Viper 4 Lease Well No.1 in the Minden (Cotton Valley Cons.) and Minden (Cotton Valley Lime) Fields.

Respectfully submitted,

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Technical Examiner  
Office of General Counsel