

THE APPLICATION OF COMSTOCK OIL & GAS, LP TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 10 FOR THE COX LEASE, WELL NO. 3, IN THE BLOCKER (PAGE) AND WARE (COTTON VALLEY) FIELDS, HARRISON COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Mark J. Helmueller - Legal Examiner

APPEARANCES:

APPLICANT:

David Gross
Rick Johnston
La Rae Sanders

REPRESENTING:

Comstock Oil & Gas, LP

PROTESTANTS:

Lloyd Muennink

Smith Resources, Inc.

PROCEDURAL HISTORY

Application Filed:	October 10, 2008
Request for Hearing:	October 22, 2008
Notice of Hearing:	November 19, 2008
Date of Hearing:	December 11, 2008
Transcript Received:	December 23, 2008
Proposal For Decision Issued:	January 26, 2009

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Comstock Oil & Gas, LP ("Comstock") requests an exception to Statewide Rule 10 to downhole commingle production from the Blocker (Page) and Ware (Cotton Valley) Fields in its Cox Lease, Well No. 3. The hearing was protested by Smith Resources, Inc. ("Smith"), an operator in the Ware (Cotton Valley) Field. The examiners recommend approval of the Statewide Rule 10 exception requested by Comstock.

DISCUSSION OF EVIDENCE

Applicant's Evidence

The Cox Lease, Well No. 3, was completed as a tubing and casing annulus dual well in May 1993. The tubing completion was in the Ware (Cotton Valley) Field with perforations between 9,717 feet and 9,969 feet. Cumulative production from the Ware (Cotton Valley) Field is 786.1 MMCFG and 9.1 MBO. The casing annulus completion was in the Blocker (Page) Field with perforations between 6,492 feet and 6,499 feet. The Blocker (Page) Field has never produced in the well and has been shut-in since the original completion attempt.

The Cox Lease, Well No. 3, is currently shut-in with mechanical problems. Comstock is proposing to return the well to production and requests an exception to Statewide Rule 10 to downhole commingle production from the Blocker (Page) and Ware (Cotton Valley) Fields. The Page zone is a localized name for a particular member of the Pettit formation.

The Blocker (Page) Field is an associated field and operates under Statewide Rules for both oil and gas. Smith does not operate any wells in the Blocker (Page) Field and their two closest Pettit-Page wells to the Cox Lease, Well No. 3, are approximately 11,000 feet to the north and 16,000 feet to the southeast. The Ware (Cotton Valley) Field is also associated and the oil field operates under Statewide Rules. The gas field operates under 467'-933' well spacing and 160 acre gas units with optional 40 acre density. Smith operates two wells in the Ware (Cotton Valley) Field which are located 7,000 feet and 10,000 feet to the northeast of the Cox Lease, Well No. 3 and are not direct offset leases. The Cox Lease, Well No. 3, is a permitted regular location in both fields and the working and mineral interests are the same in both fields.

Although this is the first application to request downhole commingling for the Blocker (Page) and Ware (Cotton Valley) Fields, there have been 36 approved commingling permits in Harrison County for Pettit-Page and Cotton Valley fields. The closest approved commingling permitted well is located approximately 4,000 feet to the northwest of the Cox Lease, Well No. 3. Commingling the two fields will maximize recovery from the well. Comstock believes that production from the Ware (Cotton Valley) Field will aid in lifting any liquids produced from the well and establish production from the Blocker (Page) Field.

Comstock stated that there is little variance in the produced water resistivities (Rw) across the East Texas Basin in the Cotton Valley, Travis Peak and Pettit-Page intervals. The waters are very salty and almost saturated, so an operator only has to account for the temperature differences when performing log analysis. In addition, no problems have been reported on the 36 approved commingling permits in Harrison County.

Comstock believes that its best opportunity to recover its fair share of reserves is on a commingled basis. Accordingly, this action will prevent waste and not adversely affect the offset operators or Smith. As a matter of precedent, Comstock requests that the application be approved.

Protestant's Evidence

Smith believes that the application of Comstock for an exception to Statewide Rule 10 to downhole commingle production from the Blocker (Page) and Ware (Cotton Valley) Fields is premature and incomplete. Smith noted that the applicant did not provide any pressure data or other engineering calculations to justify a finding of fact supporting additional recovery from the Pettit-Page interval. In addition, Smith provided several log examples showing the Pettit-Page formation to be porous and permeable and stated that Smith estimated the formation bottomhole pressure to be approximately 200 psig. As a result, Smith felt the application was incomplete, as Comstock did not know what damage might occur in this low pressure formation.

EXAMINERS' OPINION

The examiners recommend approval of the Statewide Rule 10 exception requested by Comstock. Neither party provided any Pettit-Page pressure data or any substantiated evidence that formation damage might occur as a result of this commingling application. Conversely, there have been 36 approved commingling permits in Harrison County for Pettit-Page and Cotton Valley fields and the closest approved commingling permitted well is located approximately 4,000 feet to the northwest of the Cox Lease, Well No. 3.

The examiners believe that commingling the two fields will maximize recovery from the well and afford Comstock a reasonable opportunity to recover its fair share of reserves underneath its lease. Accordingly, commingling will prevent waste and will not adversely affect Smith, as their closest wells are located 7,000 feet and 10,000 feet to the northeast of the Cox Lease, Well No. 3, and are not direct offset leases.

The examiners recommend that the application be approved and the Commission adopt the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. Notice of this hearing was given to all affected persons at least ten days prior to the date of hearing.
2. The Cox Lease, Well No. 3, was completed as a tubing and casing annulus dual well in May 1993 with the expectation of producing the Blocker (Page) Field through the annulus and producing the Ware (Cotton Valley) Field through the tubing.
3. The Blocker (Page) Field has never produced and has been shut-in since the original completion attempt. Cumulative production from the Ware (Cotton Valley) Field is 786.1 MMCFG and 9.1 MBO.
4. The Page zone is a localized name for a particular member of the Pettit formation.

5. Although this is the first application to request downhole commingling for the Blocker (Page) and Ware (Cotton Valley) Fields, there have been 36 approved commingling permits in Harrison County for Pettit-Page and Cotton Valley fields.
6. The closest approved commingling permitted well is located approximately 4,000 feet to the northwest of the Cox Lease, Well No. 3.
7. The Cox Lease, Well No. 3, is a permitted regular location in both fields and the working and mineral interests are the same in both fields.
8. Commingling the two fields will maximize recovery from the Cox Lease, Well No. 3, and afford Comstock a reasonable opportunity to recover its fair share of reserves underneath its lease. Production from the Ware (Cotton Valley) Field will aid in lifting any liquids produced from the well and establish production from the Blocker (Page) Field.
9. Commingling will prevent waste and will not adversely affect Smith, as their closest wells are located 7,000 feet and 10,000 feet to the northeast of the Cox Lease, Well No. 3, and are not direct offset leases.

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 Statewide Rule 10 exception is necessary to prevent waste and will not harm correlative rights of mineral owners in the two fields.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that an exception to Statewide Rule 10, as requested by Comstock Oil & Gas, LP, be approved for the Cox Lease, Well No. 3, in the Blocker (Page) and Ware (Cotton Valley) Fields.

Respectfully submitted,

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Technical Examiner

Mark J. Helmueller
Legal Examiner