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HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0278093

THE APPLICATION OF XTO ENERGY, INC. TO CONSIDER NEW FIELD DESIGNATION AND ADOPT TEMPORARY FIELD RULES FOR THE (PROPOSED) BOGGY CREEK (CV SHALE) FIELD, NACOGDOCHES COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Terry Johnson- Legal Examiner

HEARING DATE: August 27, 2012

APPEARANCES:	**REPRESENTING:**
APPLICANT:	
Rick Johnston	XTO Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

XTO Energy, Inc. requests that a new field designation called the Boggy Creek (CV Shale) Field be approved for its Longhorns DU Well No. 3. XTO Energy also requests that the following temporary rules be adopted for the Boggy Creek (CV Shale) Field:

1. Designation of the field as the correlative interval from 12,190 feet and 13,025 feet as shown on the log of the XTO Energy - Butler Rooney Gas Unit Well No. 1H;

2. Allocation based on 75% deliverability and 25% per well.

During the course of the hearing, the applicant proposed to use the XTO Energy's Butler Rooney Gas Unit well No. 1H as the type log well as it covers the entire interval. Additionally, the examiners recommended an alternative field name that includes Cotton Valley Shale - instead of just Cotton Valley, - in the name, and a more traditional 75% deliverability and 25% per well instead of 80% deliverability and 20% per well as the

applicant initially requested. The applicant did not consider these changes adverse. There were no protests to this application and the examiners recommend approval of the new field designation and temporary field rules.

DISCUSSION OF EVIDENCE

XTO Energy, Inc. initially drilled its Longhorns DU Well No. 3 to be completed as a Carthage (Haynesville Shale) well. During the drilling process, the well encountered abnormally high pressures and gas flows while drilling in the Cotton Valley Shale. XTO Energy decided to complete the well in the Cotton Valley Shale. The well has two sets of perforations in the Cotton Valley Shale one between 12,527 feet and 12,537 feet and another between 12,563 feet and 12,572 feet. On initial test, the well produced at a rate of 2,400 MCFD, 0 BCPD and 0 BWPD. Flowing tubing pressure is 1,032 psi with a shut-in wellhead pressure of 8,793 psia.

The new field designation should be approved for the Longhorns DU Well No. 3. There is no comparable production within a 2½ mile radius of the well. The Longhorns DU Well No. 3 encountered virgin over-pressure of 8,793 psia. All wells within a 2½ mile radius of the well produce from the Haynesville Shale (below 13,177 feet TVD) with the exception of one well having produced oil from a depth of 496 feet. The Haynesville Shale is located immediately below the Cotton Valley Shale. There is no other Cotton Valley Shale production in the area.

XTO Energy requests that the entire correlative interval between 12,190 feet and 13,025 feet in the XTO Energy - Butler Rooney Gas Unit Well No. 1H be considered a single field. The interval extends from the base of the Cotton Valley Sands to the top of the Haynesville Shale. The Haynesville Shale interval is clearly defined in the area because there are numerous Haynesville Shale wells in the area. The Cotton Valley Shale interval includes numerous shale layers within the Cotton Valley Shale which may be productive in future wells completed in the Cotton Valley Shale. Separate completions in the intervals would not be commercial.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. XTO Energy agrees to an allocation be based on 75% deliverability and 25% per well for the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.

2. XTO Energy, Inc. completed its Longhorns DU Well No. 3 in November 2011 with two sets of perforations in the Cotton Valley Shale from 12,527 feet and 12,537 feet and 12,563 feet and 12,572 feet after encountering high pressures in the shale interval. On initial test, the well produced at a rate of

2,400 MCFD, 0 BCPD and 0 BWPD. Flowing tubing pressure is 1,032 psi with a shut-in wellhead pressure of 8,793 psia.

3. The Longhorns DU Well No. 3 is entitled to a new field designation because there is no comparable production within a 2½ mile radius of the subject well. All other active wells produce from the Haynesville Shale, which is below the Cotton Valley Shale.

4. The entire correlative interval from 12,190 feet and 13,025 feet as shown on the log of the XTO Energy - Butler Rooney Gas Unit Well No. 1H should be designated as the Boggy Creek (CV Shale) Field. The interval extends from the base of the Cotton Valley Sands to the top of the Haynesville Shale.

5. Allocation based on 75% deliverability and 25% per well will protect correlative rights and satisfies statutory requirements for combining multiple productive zones into a single field.

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 new field designation and adoption of temporary field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend approval of the new field designation and adoption of temporary field rules for the Boggy Creek (CV Shale) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner

Terry Johnson
Legal Examiner