



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0280380

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THE APPLICATION OF GMX RESOURCES INC. TO CONSIDER A NEW FIELD DESIGNATION AND TO ADOPT FIELD RULES FOR THE PROPOSED JAMES BAYOU (COTTON VALLEY) FIELD, MARION COUNTY, TEXAS

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HEARD BY: Richard D. Atkins, P.E. - Technical Examiner  
Terry Johnson - Legal Examiner

HEARING DATE: February 15, 2013

APPEARANCES: REPRESENTING:

**APPLICANT:**

Bill Spencer  
Jim Clark

GMX Resources Inc.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

GMX Resources Inc. ("GMX") requests that a new field designation called the James Bayou (Cotton Valley) Field (ID No. 45563 500) be approved for its Haynes Lease, Well No. 1. GMX proposes that the following Field Rules be adopted for the new field:

1. Designation of the field as the correlative interval from 8,344 feet to 10,625 feet as shown on the log of the GMX Resources Inc. - Haynes Lease, Well No. 1 (API No. 42-315-30969);
2. Allocation based on 95% deliverability and 5% per well with AOF status.

The application is unprotested and the examiners recommend approval of the new field designation and adoption of Field Rules for the James Bayou (Cotton Valley) Field, as proposed by GMX.

### DISCUSSION OF THE EVIDENCE

GMX completed its Haynes Lease, Well No. 1, in July 2011 with perforations in the Cotton Valley formation from 9,107 feet to 9,890 feet. On initial test, the well produced flowing at a maximum rate of 534 MCFGPD, 34 BOPD and 48 BWPD. There is no comparable production within a 2.5 mile radius of the discovery well.

A new field designation should be approved for the Haynes Lease, Well No. 1. GMX requests that the field be defined as the correlative interval from 8,344 feet to 10,625 feet as shown on the log of the GMX Resources Inc. - Haynes Lease, Well No. 1 (API No. 42-315-30969), W. Hamilton Survey, A-194, Marion County, Texas. The correlative interval includes the entire Cotton Valley formation.

GMX proposes that the field remain on Statewide Rules for spacing and density. To satisfy state statutes, GMX requests that a two factor allocation formula based on 95% deliverability and 5% per well be adopted for the field. GMX also requests that the allocation formula be suspended, as there is a 100% market demand for all of the gas produced from the field.

### FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. GMX Resources Inc. ("GMX") completed its Haynes Lease, Well No. 1, in July 2011 with perforations in the Cotton Valley formation from 9,107 feet to 9,890 feet. On initial test, the well produced flowing at a maximum rate of 534 MCFGPD, 34 BOPD and 48 BWPD.
3. The Haynes Lease, Well No. 1, is entitled to a new field designation as there is no comparable production within a 2.5 mile radius of the discovery well.
4. The James Bayou (Cotton Valley) Field should be defined as the correlative interval from 8,344 feet to 10,625 feet as shown on the log of the GMX Resources Inc. - Haynes Lease, Well No. 1 (API No. 42-315-30969), W. Hamilton Survey, A-194, Marion County, Texas. The correlative interval includes the entire Cotton Valley formation.
5. Allocation based on 95% deliverability and 5% per well is a reasonable formula which will satisfy state statutes and protect correlative rights of mineral owners in the field.

6. Suspension of the allocation formula is appropriate, as there is a 100% market demand for all of the gas produced from the 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 Field Rules for the James Bayou (Cotton Valley) Field will prevent waste, protect correlative rights and promote the orderly development of the field.

**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the new field designation and adopt Field Rules for the proposed James Bayou (Cotton Valley) Field, as requested by GMX Resources Inc.

Respectfully submitted,

  
Richard D. Atkins, P.E.  
Technical Examiner

  
Terry Johnson  
Legal Examiner