

September 14, 2006

OIL AND GAS DOCKET NO. 03-0248727

APPLICATION OF NATIONAL ONSHORE, LP TO CONSOLIDATE THE GUENTHER (WILCOX) AND GUENTHER (WILCOX 13,200) FIELDS INTO THE PROPOSED GUENTHER (WILCOX CONS) FIELD, WHARTON COUNTY, TEXAS

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

DATE OF HEARING: September 13, 2006

APPEARANCES:

Philip Whitworth, attorney
David Klatt

REPRESENTING:

National Onshore, LP

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of National Onshore for the Commission to consider consolidating the Guenther (Wilcox) and Guenther (Wilcox 13,200) Fields into a new field, the Guenther (Wilcox Cons) Field. The following rules are proposed:

1. The entire correlative interval from 12,748' MD to 16,250' MD as shown on the Gamma Ray log of the National Onshore, LP (formerly TransTexas Gas Corp), Guenther Gas Unit Well No. 1ST, (API No. 42-481-33948-01), Miguel Muldoon #2 Survey, A-46, Wharton County, Texas should be designated as the Guenther (Wilcox Cons) Field.
2. Minimum well spacing of 467'/990' (lease line/between well);
3. 40 acre drilling units (Statewide Rule)
4. An allocation formula based on 95% deliverability and 5% per well. It is proposed that the allocation formula be suspended.

DISCUSSION OF THE EVIDENCE

The Guenther (Wilcox) Field was discovered in 1997 at 15,258' subsurface depth. The discovery well, the TransTexas Gas Corp, Guenther Gas Unit Well No. 1, was perforated through six sets of perforations from 15,258' thru 15,548'. The field is governed by Special Field Rules (Order No. 03-0241151, January 25, 2005) that provide for a correlative interval from 15,531' MD to 16,250' MD¹ and a two factor allocation formula based on 5% per well and 95% deliverability.

¹ The Guenther Well No. 1 was side tracked in 2004 and perforated from 15,832' MD thru 16,241' MD and renamed the Guenther Well No. 1ST.

The field is classified as Non-Associated Field. National Onshore is the only operator in the field with one well. A second well has recently been completed by National Onshore, the Guenther Well No. 3.

The Guenther (Wilcox 13,200) Field was discovered in 1999 at 13,211' subsurface depth. The field is governed by Special Field Rules (Order No. 03-0221499, May 25, 1999) that provide for a correlative interval from 13,210' to 13,380' and a two factor allocation formula based on 25% per well and 75% deliverability. The field is classified as a Non-Associated Field. There are no current wells in the field.

Consolidation of the Guenther (Wilcox) and Guenther (Wilcox 13,200) Fields will provide for the orderly development of the fields. The entire correlative interval from 12,748' MD to 16,250' MD as shown on the Gamma Ray log of the National Onshore, LP (formerly TransTexas Gas Corp), Guenther Gas Unit Well No. 1ST, (API No. 42-481-33948-01), Miguel Muldoon #2 Survey, A-46, Wharton County, Texas should be designated as the Guenther (Wilcox Cons) Field. The interval encompasses a correlative package of similar Wilcox sand/shale sequences that are not necessarily uniform and continuous over short distances. Bottomhole pressure data indicates that the reservoirs are uniformly geo-pressured and the gas analysis indicates similar characteristics.

The proposed minimum well spacing, 467'/990' (leaseline/between well) is the appropriate minimum well spacing to provide flexibility in locating wells.

The proposed two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject fields at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Guenther (Wilcox) Field was discovered in 1997 at 15,258' subsurface depth.
 - a. The field is governed by Special Field Rules (Order No. 03-0241151, January 25, 2005) that provide for a correlative interval from 15,531' MD to 16,250' MD and a two factor allocation formula based on 5% per well and 95% deliverability.
 - b. The field is classified as a Non-Associated Field and National Onshore is the only operator in the field with one well.
4. The Guenther (Wilcox 13,200) Field was discovered in 1999 at 13,211' subsurface depth.

- a. The field is governed by Special Field Rules (Order No. 03-0221499, May 25, 1999) that provide for a correlative interval from 13,210' to 13,380' and a two factor allocation formula based on 25% per well and 75% deliverability.
 - b. The field is classified as a Non-Associated Field and there are no wells in the field.
5. The entire correlative interval from 12,748' MD to 16,250' MD as shown on the Gamma Ray log of the National Onshore, LP (formerly TransTexas Gas Corp), Guenther Gas Unit Well No. 1ST, (API No. 42-481-33948-01), Miguel Muldoon #2 Survey, A-46, Wharton County, Texas should be designated as the Guenther (Wilcox Cons) Field.
6. Consolidation of the Guenther (Wilcox) and Guenther (Wilcox 13,200) Fields will provide for the orderly development of the fields.
 - a. The interval encompasses the a correlative package of similar Wilcox sand/shale sequences that are not necessarily uniform and continuous over short distances.
 - b. Bottomhole pressure data indicates that the reservoirs are uniformly geo-pressured and the gas analysis indicates similar characteristics.
7. The proposed minimum well spacing, 467'/990' (leaseline/between well) is the appropriate minimum well spacing to provide flexibility in locating wells.
8. The proposed two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.
9. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration for consolidation of fields and the proposed field rules are a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields and field rules will prevent waste, foster

conservation and protect correlative rights.

5. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed consolidation of the Guenther (Wilcox) and Guenther (Wilcox 13,200) Fields into a new field, the Guenther (Wilcox Cons) Field and the proposed field rules.

Respectfully submitted,

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