

January 4, 2007

**OIL AND GAS DOCKET NO. 04-0249446**

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**APPLICATION OF SAMSON LONE STAR LP TO CONSOLIDATE VARIOUS LOS INDIOS AND THE SCHALEBEN (10,060 VICKSBURG) FIELDS INTO THE PROPOSED LOS INDIOS (VICKSBURG CONS.) FIELD AND ADOPT FIELD RULES FOR THE LOS INDIOS (VICKSBURG CONS.) FIELD, HIDALGO COUNTY, TEXAS**

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

**DATE OF HEARING:** December 12, 2006

**APPEARANCES:**

James M. Clark

**REPRESENTING:**

Samson Lone Star LP

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unprotested application of Samson Lone Star for the Commission to consider consolidating 13 fields (see Attachment "A") into a new field designation to be known as the Los Indios (Vicksburg Cons.) Field. It is proposed that the following special field rules be adopted:

1. The entire combined correlative interval from 9,900' to 15,970' as shown on the Dual Induction Spectral Density, DS N log of the Union Pacific Resources Co., Schaleben Lease Well No. 1 (API No. 42-215-31796), Tract 9, San Salvador Del Tule Grant, Juan Jose Balli Survey, A-290, Hidalgo County, Texas, should be designated as the Los Indios (Vicksburg Cons.) Field.
2. Minimum well spacing of 467'0' (leaseline/between well);
3. 40 acre density with 10% tolerance and maximum diagonal of 2100'. No requirement for the filing of proration unit plats and Form P-15.
4. An allocation formula based on 95% deliverability and 5% per well and suspension of the allocation formula.

Subsequent to the hearing and review of the evidence submitted and the intent of the applicant, it is apparent that a tolerance factor is not warranted. Likewise, if there is to be no requirement for the filing of proration unit plats and Form P-15 for each well, there is no regulatory need for a proration unit maximum diagonal. Samson Lone Star was contacted concerning this matter and stated that elimination of the tolerance provision and the requirement of a maximum diagonal would not be considered adverse. The examiner recommends approval of the application.

**DISCUSSION OF THE EVIDENCE**

The subject Vicksburg fields were discovered between 1960 and 1997 and the discovery depths range from 8,030' and 14,292' subsurface depth. The fields are all classified as Non-Associated. Three of the fields have no wells. The fields with multiple wells have suspended allocation formulas and the one well fields are exempt from proration. All the fields except one operate pursuant to Statewide Rules. The Los Indios (L. Vicksburg AA) Field has field rules that provide for a designated interval (12,835' to 13,045') and a two-factor allocation formula based on 95% deliverability and 5% per well. There are four operators in the fields and 12 wells.

Consolidation of the subject fields into the proposed Los Indios (Vicksburg Cons.) Field will provide for the recovery of reserves that otherwise would go unrecovered. The subject Vicksburg reservoirs overlie one another. These are relatively mature reservoirs that are in the latter stages of pressure depletion. The sands are no longer stand alone reservoirs. Well completions in the consolidated section will allow for timely completions in those zones where sands are present which in effect lowers the economic producing limit for all the zones and will increase the ultimate recovery from each member. The entire combined correlative interval from 9,900' to 15,970' as shown on the Dual Induction Spectral Density, DS N log of the Union Pacific Resources Co., Schaleben Lease Well No. 1 (API No. 42-215-31796), Tract 9, San Salvador Del Tule Grant, Juan Jose Balli Survey, A-290, Hidalgo County, Texas, should be designated as the Los Indios (Vicksburg Cons.) Field.

Drilling unit density of 40 acres is necessary to provide for the effective and efficient depletion of these multi-layered reservoirs. Proration unit plats and Form P-15 are not warranted as acreage is not a factor in determining the recoverable reserves a well may produce. Recoverable reserves are based on the number of productive horizons encountered and the deliverability rate of the horizon.

Minimum well spacing of 467'/0' (leaseline/between well) will provide uniform flexibility in locating wells in the subject consolidated field. No between well spacing is warranted because many of the wells as originally permitted were in different zones and may now be re-completed in all the zones.

A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula for gas wells based on 95% deliverability and 5% per well satisfies this requirement. The allocation formula should be suspended as there is 100% market for all the gas from the respective fields.

### **FINDINGS OF FACT**

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.

3. The subject Vicksburg field were discovered between 1960 and 1997 and the discovery depths range from 8,030' and 14,292' subsurface depth.
  - a. The fields are all classified as Non-Associated fields and all the fields except one operate pursuant to Statewide Rules.
  - b. The fields with multiple wells have suspended allocation formulas and the one well fields are exempt from proration.
  - c. There are four operators in the fields and 12 wells.
4. Consolidation of the subject fields into the proposed Los Indios (Vicksburg Cons.) Field will provide for the recovery of reserves that otherwise would go unrecovered.
  - a. The subject Vicksburg reservoirs overlie one another.
  - b. These are relatively mature reservoirs that are in the latter stages of pressure depletion and the sands are no longer stand alone reservoirs.
  - c. Well completions in the consolidated section will allow for timely completions in those zones where sands are present which in effect lowers the economic producing limit for all the zones and will increase the ultimate recovery from each member.
5. The entire combined correlative interval from 9,900' to 15,970' as shown on the Dual Induction Spectral Density, DS N log of the Union Pacific Resources Co., Schaleben Lease Well No. 1 (API No. 42-215-31796), Tract 9, San Salvador Del Tule Grant, Juan Jose Balli Survey, A-290, Hidalgo County, Texas, should be designated as the Los Indios (Vicksburg Cons.) Field.
6. Minimum well spacing of 467'/0' (leaseline/between well) will provide uniform flexibility in locating wells in the subject consolidated field. No between well spacing is warranted because many of the wells as originally permitted were in different zones and may now be re-completed in all the zones.
7. Drilling unit density of 40 acres is necessary to provide for the effective and efficient depletion of these multi-layered reservoirs.
  - a. Proration unit plats and Form P-15 are not warranted as acreage is not a factor in determining the recoverable reserves a well may produce.
  - b. Recoverable reserves are based on the number of productive horizons encountered and the deliverability rate of the horizon.
8. A multi-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.

- a. The proposed two-factor allocation formula for gas wells based on 95% deliverability and 5% per well satisfies this requirement.
  - b. Because the allocation formula is currently suspended in the respective fields (except the one field with no producing wells).
9. The allocation formula should be suspended as there is 100% market for all the gas from the respective fields.

**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 field rules, a determination of the effectiveness of the rules and appropriate actions is a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields and adoption of the proposed field rules 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 of the proposed field consolidation and field rules for the Los Indios (Vicksburg Cons.) Field.

Respectfully submitted,

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

**ATTACHMENT "A"**

**FIELD NAME**

**FIELD NUMBER**

Los Indios (L. Vicksburg AA)	54955475
Los Indios (L. Vicksburg BB)	54955480
Los Indios (Vicksburg Rosado)	54955787

Los Indios (Vicksburg 8000)	54955800
Los Indios (Vicksburg 9600)	54955806
Los Indios (Vicksburg 10000)	54955812
Los Indios (Vicksburg 12,600)	54955820
Los Indios (Vicksburg 12800)	54955830
Los Indios (Vicksburg 12,900)	54955835
Los Indios (Vicksburg 13,200)	54955845
Los Indios (10,900)	54955960
Los Indios (12,400 Stray)	54955980
Schaleben (10,060 Vicksburg)	81406700