

APPLICATION OF SAMSON LONE STAR LLC TO CONSIDER AMENDING FIELD RULES AND APPROVING BLANKET EXCEPTION TO STATEWIDE RULE 10 FOR ALL WELLS IN THE DOUGLASS, W. (TRAVIS PEAK) FIELD, LITTLE EARS (PETTIT LIME) FIELD, MIYAGI (PETTIT) FIELD AND NACOGDOCHES, E. (JAMES LIME) FIELDS, NACOGDOCHES COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: October 8, 2008

APPEARANCES:

Mickey Olmstead
James M. Clark

David Gross

Phil Russell

REPRESENTING:

Samson Lone Star LLC

Comstock Resources &
XTO Energy

Marathon Oil Company

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

Samson Lone Star LLC requests exceptions to Statewide Rule 10 for all wells in the Douglass, W. (Travis Peak) Field, Little Ears (Pettit Lime) Field, Miyagi (Pettit) Field and the Nacogdoches, E. (James Lime) Field. Samson requests to place all wells commingled in the Douglass, W. (Travis Peak) Field for proration purposes. Samson additionally requests that the field rules for the Douglass, W. (Travis Peak) Field, Little Ears (Pettit Lime) Field, Miyagi (Pettit) Field and the Nacogdoches, E. (James Lime) Field be amended/adopted to provide for 467' lease line spacing and 467' between well spacing.

The original hearing request was for consolidation of 13 fields into a proposed Douglass (Consolidated) Field. Samson amended their request to prevent a protested hearing from other operators in the field. The changes to the amended request are within the scope of the original request, therefore re-notice is not necessary. The examiner recommends approval of the requested Rule 10 authority and field rules changes.

DISCUSSION OF THE EVIDENCE

The Travis Peak in this area has been developed since the 1970's. The Douglass, W. (Travis Peak) Field was discovered in 1973 at a depth of 9,967 feet. There are 310 active wells in the field. The Douglass, W. (Travis Peak) Field operates under special field rules which provide for 467'/600' well spacing. The field is a non associated gas field and

OIL AND GAS DOCKET NO. 06-0259027

is currently AOF.

The Little Ears (Pettit Lime) Field was discovered in 1992 at a depth of 9,201 feet. There are seven active wells in the field, three are currently commingled. The Little Ears (Pettit Lime) Field operates under statewide field rules which provide for 467'/1,200' well spacing. The field is a non associated gas field and is currently AOF.

The Miyagi (Pettit) Field was discovered in 1990 at a depth of 9,174 feet. There are 17 active wells in the field, 7 are currently commingled. The Miyagi (Pettit) Field operates under statewide field rules which provide for 467'/1,200' well spacing. The field is a non associated gas field and is currently AOF.

The Nacogdoches, E. (James Lime) Field was discovered in 1980 at a depth of 7,990 feet. There are 14 active wells in the field, 12 are currently commingled. The Nacogdoches, E. (James Lime) Field operates under statewide field rules which provide for 467'/1,200' well spacing. The field is a non associated gas field and is currently AOF.

Most of the recent development has been in the Travis Peak. Most of the Pettit and James Lime intervals are depleted and operators generally add Pettit and James Lime perforations after the Travis Peak has depleted to 200-300 MCFD. There have been numerous Rule 10 exceptions granted for fields completed in the Travis Peak, Pettit and James Lime in the area.

No fluid compatibility problems have occurred in previously commingled wells. Any cross-flow which may occur will therefore not cause reservoir damage. Samson does not expect any cross-flow to occur because the zones will not be commingled until the Travis Peak zone pressure is depleted sufficiently to match the Pettit and James Lime zones.

Samson estimates that incremental reserves as a result of commingling are between 50 to 250 MMCF of gas per well per additional zone. This is a result of a lower combined economic limit.

Samson requests that the field rules for well spacing be amended/adopted for the proposed commingled fields. Samson request 467 feet lease line spacing and 467 feet between well spacing. Amending the well spacing rules will allow wells to be commingled in the approved fields with minimal Rule 37 exceptions which are burdensome to both operators and Commission staff.

Samson requests to place all wells commingled in the Douglass, W. (Travis Peak) Field for proration purposes.

OIL AND GAS DOCKET NO. 06-0259027

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the Douglass, W. (Travis Peak) Field, Little Ears (Pettit Lime) Field, Miyagi (Pettit) Field and the Nacogdoches, E. (James Lime) Field.
2. The Douglass, W. (Travis Peak) Field was discovered in 1973 at a depth of 9,967 feet. There are 310 active wells in the field.
3. The Little Ears (Pettit Lime) Field was discovered in 1992 at a depth of 9,201 feet. There are seven active wells in the field, three are currently commingled.
4. The Miyagi (Pettit) Field was discovered in 1990 at a depth of 9,174 feet. There are 17 active wells in the field, 7 are currently commingled.
5. The Nacogdoches, E. (James Lime) Field was discovered in 1980 at a depth of 7,990 feet. There are 14 active wells in the field, 12 are currently commingled.
6. Downhole commingling of the Travis Peak, the Pettit and James Lime is common in this area. Numerous Rule 10 exceptions have been approved by the Commission in various fields in the past.
7. Cross-flow between the fields is not expected because wells will not be commingled until pressures are equalized. No fluid compatibility problems have been observed in previously commingled wells.
8. Downhole commingling production from these fields will prevent waste because separate completions in the Pettit or James Lime are generally not economic any more.
9. Incremental recovery as a result of commingling is estimated to be between 50 to 250 MMCF of gas per well per additional zone.
10. Amending/adopting the well spacing rules to 467'/467' will allow wells to be commingled in the approved fields with minimal Rule 37 exceptions which are burdensome to both operators and Commission staff.

OIL AND GAS DOCKET NO. 06-0259027

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested amended field rules and Rule 10 exceptions for all wells in the Douglass, W. (Travis Peak) Field, Little Ears (Pettit Lime) Field, Miyagi (Pettit) Field and the Nacogdoches, E. (James Lime) Field will prevent waste and will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested amended field rules and Rule 10 exceptions for all wells in the Douglass, W. (Travis Peak) Field, Little Ears (Pettit Lime) Field, Miyagi (Pettit) Field and the Nacogdoches, E. (James Lime) Field, as specified in the attached order.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner
Office of General Counsel