

OIL AND GAS DOCKET NO. 05-0254100

THE APPLICATION OF LACY OPERATIONS, LTD. TO CONSIDER PERMANENT FIELD RULES FOR THE MANN, NORTH (COTTON VALLEY SD.) FIELD, FREESTONE COUNTY, TEXAS

Heard by: Donna K. Chandler on November 12, 2007

Appearances:

Flip Whitworth
Rick Johnston

Representing:

Lacy Operations, Ltd.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Lacy Operations, Ltd. requests that field rules be adopted for the Mann, North (Cotton Valley Sd.) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 8,870 feet to 11,421 feet as shown on the log of the H. E. Wynne No. 1;
2. 467'-933' well spacing;
3. 40 acre drilling units;
4. Allocation based on 95% deliverability and 5% per well, with AOF status continued.

This application was unopposed and the examiner recommends that the rules proposed by Lacy be adopted on a permanent basis for the Mann, North (Cotton Valley Sd.) Field.

DISCUSSION OF EVIDENCE

The Mann, North (Cotton Valley Sd.) Field was discovered in 1968 at a depth of approximately 9,520 feet. The field is non-associated and operates under Statewide Rules and is AOF. A total of six wells have been drilled in the field and there are currently three

producing wells, all operated by Lacy. Cumulative production from the field is 1.4 BCF of gas.

The discovery well for the field was H. E. Wynne No. 1. This well produced from perforations in the Cotton Valley Sand between 9,306 feet and 9,520 feet and was plugged in 1985. Two other wells produced from the field in the 1990's and have been plugged. Lacy's three wells in the field were drilled in 1997, 2006 and 2007 and Lacy plans to drill several additional wells.

There is currently no defined field interval for the field. Lacy requests that the field be defined as the correlative interval from 8,870 feet to 11,421 feet as shown on the H. E. Wynne No. 1. This interval includes the Cotton Valley Sand, Bossier, and Cotton Valley Lime formations. It is common in this area to include all three reservoirs in a single field designation. Lacy's wells are only perforated in the Cotton Valley Sand but logs indicate potential production from the Bossier and Cotton Valley Lime. Because the proposed interval includes multiple separate reservoirs, a two factor allocation formula is required by statute. Lacy proposes that allocation be based on 95% deliverability and 5% per well.

Lacy requests that 40 acre standard drilling units remain in effect for the field, but that a spacing rule be adopted to provide for a minimum of 467 feet from lease lines and 933 feet between wells. This proposed spacing will eliminate the need for Rule 37 exceptions for new wells planned by Lacy. This spacing is also common for 40 acre development.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Mann, North (Cotton Valley Sd.) Field was discovered in 1968 and a total of six wells have been completed in the field. Lacy Operations, Ltd. operates the three producing wells currently in the field.
3. The field operates under Statewide Rules and is AOF status.
4. Amending the spacing rule to provide for 933 feet between wells will eliminate the need for Rule 37 exceptions for new wells planned by Lacy.
5. The Mann, North (Cotton Valley Sd.) Field should be designated as the correlative interval between 8,870 and 11,421 feet as shown on the log of the H. E. Wynne No. 1. This interval includes the Cotton Valley Sand, Bossier, and Cotton Valley Lime formations.

6. Allocation based on 95% deliverability and 5% per well is a reasonable formula which will protect correlative rights and meet statutory requirements.

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. Adoption of the proposed field rules for the Mann, North (Cotton Valley Sd.) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission adopt the field rules proposed by Lacy Operations, Ltd. for the Mann, North (Cotton Valley Sd.) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner