

OIL AND GAS DOCKET NO. 05-0255753

**THE APPLICATION OF DECKER OPERATING CO. LLC TO CONSIDER STANDING;
AND IF APPROVED, FOR AMENDING FIELD RULES FOR THE THOMAS LAKE
(COTTON VALLEY) FIELD, HENDERSON COUNTY, TEXAS**

Heard by: Richard D. Atkins, P.E.

Date of Hearing: March 28, 2008

Appearances:

George C. Neale
Rick Johnston

Representing:

Decker Operating Co., LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Thomas Lake (Cotton Valley) Field were adopted in Oil and Gas Docket No. 5-76,982, effective November 23, 1981. The rules are summarized as follows:

1. 660'-3,735' well spacing;
2. 640 acre gas units with 10% tolerance;
3. Allocation based on 100% acreage.

Decker Operating Co., LLC requests that the field rules be renumbered and amended to include a designated interval, provide for 467'-1,200' well spacing, 640 acre base units with 10% tolerance and 40 acre optional units. In addition, Decker requests that the 1,200' minimum well spacing apply between vertical to vertical wells and horizontal to horizontal wells, but eliminate the between well spacing requirement between vertical and horizontal wells.

Decker also requests that the allocation formula be amended to 75% deliverability and 25% acreage, the filing of P-15's and plats not be required as long as the field is 100% AOF and the allocation formula in the field remain suspended.

This application was unopposed and the examiner recommends that the field rules for the Thomas Lake (Cotton Valley) Field be renumbered and amended as proposed by Decker and that the allocation formula in the field remain suspended.

DISCUSSION OF EVIDENCE

The Thomas Lake (Cotton Valley) Field was discovered in May 1979 at a depth of approximately 10,000 feet. The field is a non-associated gas field with no active wells carried on the proration schedule. Although fifteen wells were completed in the field, there were no more than seven wells carried on the proration schedule at any one time. Gas production from the field ceased in 2006 with cumulative production of 5.7 BCFG and 65.8 MBO. The allocation formula is currently suspended.

Decker has recently drilled the Lee Heirs Well No. 1 and the Kirby Heirs Well No. 1. Although there has not been any potential test filed, the Kirby Heirs well is currently flowing 750 MCFGPD while recovering frac fluid. The Lee Heirs well is awaiting completion pending a pipeline connection.

Decker recommends that the entire correlative interval from 9,660 feet to 12,070 feet as set forth in the Induction/Density/Neutron log for their Lee Heirs Lease Well No. 1 (API No. 42-213-30941), T. Howith Survey, A-326, Henderson County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Thomas Lake (Cotton Valley) Field.

The Cotton Valley gross interval is approximately 2,400 feet. The individual sands within the gross interval are discontinuous and many wells will not drain large areas. Development on a greater density is necessary to maximize recovery from the field.

Decker presented drainage calculations for two of the plugged wells in the field, the Perryman Operating Company Valley View Well No. 1 and John Corley Well No. 1. Net pay in these two wells was 74 feet and 377 feet and estimated ultimate recoveries were 974 MMCFG and 537 MMCFG, respectively. The calculated drainage area for each well was 27.7 acres and 4.2 acres, respectively.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Thomas Lake (Cotton Valley) Field was discovered in 1973 at a depth of approximately 10,000 feet. The field is a non-associated gas field with no active wells carried on the proration schedule.
3. Rules currently in effect for the field provide for 660'-3,735' well spacing, 640

acre gas units with 10% tolerance and 100% acreage allocation.

4. Cumulative production from the field was 5.7 BCFG and 65.8 MBO. There is no current production from the field.
5. Decker has recently drilled the Lee Heirs Well No. 1 and the Kirby Heirs Well No. 1. Although there has not been any potential test filed, the Kirby Heirs well is currently flowing 750 MCFGPD while recovering frac fluid. The Lee Heirs well is awaiting completion pending a pipeline connection.
6. Decker recommends that the entire correlative interval from 9,660 feet to 12,070 feet as set forth in the Induction/Density/Neutron log for their Lee Heirs Lease Well No. 1 (API No. 42-213-30941), T. Howith Survey, A-326, Henderson County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Thomas Lake (Cotton Valley) Field.
7. An optional 40 acre density rule is appropriate for the field.
 - a. The Perryman Operating Company Valley View Well No. 1 recovered 974 MMCF of gas and had a calculated drainage area of 27.7 acres.
 - b. The Perryman Operating Company John Corley Well No. 1 recovered 537 MMCF of gas and had a calculated drainage area of 4.2 acres.
8. The minimum well spacing of 467 feet from lease lines, 1,200 feet between vertical to vertical wells and horizontal to horizontal wells and the elimination of a between well spacing requirement between vertical and horizontal wells will allow Decker the additional flexibility needed to develop this field.
9. The proposed field interval includes various lenticular sands and a two factor allocation formula based on 75% deliverability and 25% acreage meets 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. Amending the field rules for the Thomas Lake (Cotton Valley) 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 renumber and amend the field rules for the Thomas Lake (Cotton Valley) Field as proposed by Decker Operating Co., LLC. and that the allocation formula in the field remain suspended.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner