

October 30, 2007

OIL AND GAS DOCKET NO. 06-0253747

**APPLICATION OF XTO ENERGY, INC. TO AMEND THE FIELD RULES FOR THE
CARTHAGE (BLOSSOM) FIELD, PANOLA COUNTY, TEXAS**

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

DATE OF HEARING: October 30, 2007

APPEARANCES:

Rick Johnston

REPRESENTING:

XTO Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of XTO Energy, Inc. to amend the field rules as adopted in Order No. 6-52,986, effective October 18, 1963, for the Carthage (Blossom) Field that currently provide for the following:

1. Minimum well spacing of 1320'/3960' (lease line/between well);
2. 640 acre gas proration units plus 10% tolerance and a maximum diagonal of 5,280' from a well;
3. An allocation formula based on 100% acreage.
4. Surface casing requirements

XTO Energy proposes the following:

1. The entire correlative interval from 2,005' to 2,060' as shown on the Sonic log of the Roger Lacy Inc., E. Borders Lease Well No. 2, A.G. Hudson Survey, A-345, Panola County, Texas, should be designated as the Carthage (Blossom) Field.
2. Minimum well spacing of 467'/1200';
3. The addition of optional 160 acre density and a maximum diagonal of 4,500';

4. An allocation formula based on 100% deliverability and the allocation formula remain suspended.

The examiners recommends that the existing Rule No. 4 be rescinded as the surface casing requirement is addressed by Statewide Rule 13 and no longer requires a special field rule. The examiner recommends that the allocation formula remain at 100% acreage. Subsequent to the hearing the applicant was advised and stated that it did not find the recommendation to be adverse to its position. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Carthage (Blossom) Field was discovered in 1963 at a depth of 2,064' subsurface depth. The field is governed by special field rules as adopted by Order No. 6-52,986, effective October 18, 1963, as amended, that currently provide for minimum well spacing of 1320'/3960' (lease line/between well), 640 acre gas proration units plus 10% tolerance and an allocation formula based on 100% acreage. The allocation formula was suspended in 1997. There are seven operators in the field and 12 wells. XTO Energy has obtained a "farm-out" from Exxon and has drilled several wells in the field, but have not been entered on the Commission's Proration Schedule system, and therefore has standing to request the subject amended field rules.

The entire correlative interval from 2,005' to 2,060' as shown on the Sonic log of the Roger Lacy Inc., E. Borders Lease Well No. 2, A.G. Hudson Survey, A-345, Panola County, Texas, should be designated as the Carthage (Blossom) Field.

The Carthage (Blossom) Field is a secondary target in the subject area. The primary completions are made in the Carthage (Cotton Valley) Field and other formation targets are the Travis Peak, and Pettit reservoirs which are all deeper than the Blossom Formation. For the purpose of future re-completions and/or downhole commingling of the zones, it is necessary that all the fields within the vertical interval be governed by identical minimum well spacing and density rules. Optional 160 acre density is necessary to provide for the efficient and effective depletion of the reservoir. Cumulative production from the field is 22.1 BCF of gas and 12,290 BC. The field's current daily production is 15MCFD. Estimated recoveries for the wells in the field range from 121 MMCF to 4.4 BCF of gas. Drainage area calculations were made on 12 wells to substantiate the need for optional 160 acre density. The estimated drainage areas ranged from 36 acres to 663 acres. Eight of the wells have drainage areas less than 160 acres.

The proposed minimum well spacing, 467'/1200' (leaseline/between well) is necessary to allow flexibility for the re-completion of wells as individual completions or downhole commingling with the Pettit, Travis Peak or Cotton Valley intervals.

The 100% acreage allocation formula fairly represents the reserves that a well could drain and thus protects correlative rights. The allocation formula should remain suspended.

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. XTO Energy has obtained a “farm-out” from Exxon and has drilled several wells in the field.
4. The Carthage (Blossom) Field was discovered in 1963 at a depth of 2,064' subsurface depth.
 - a. The field is governed by special field rules as adopted by Order No. 6-52,986, effective October 18, 1963, as amended, that currently provide for minimum well spacing of 1320'/3960' (lease line/between well), 640 acre gas proration units plus 10% tolerance and an allocation formula based on 100% acreage.
5. The entire correlative interval from 2,005' to 2,060' as shown on the Sonic log of the Roger Lacy Inc., E. Borders Lease Well No. 2, A.G. Hudson Survey, A-345, Panola County, Texas, is designated as the Carthage (Blossom) Field.
6. Optional 160 acre density is necessary to provide for the efficient and effective depletion of the reservoir.
 - a. Estimated recoveries for the wells in the field range from 121 MMCF to 4.4 BCF of gas.
 - b. Drainage area calculations on 12 wells estimate drainage areas from 36 acres to 663 acres. Eight of the wells have drainage areas less than 160 acres.
7. The proposed minimum well spacing, 467'/1200' (leaseline/between well) is necessary to allow flexibility re-completion of wells as individual completions or downhole commingling with the Pettit, Travis Peak or Cotton Valley intervals.
8. The 100% acreage allocation formula fairly represents the reserves that a well could drain and thus protects correlative rights. The allocation formula should remain 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 field rules, a determination of their effectiveness and appropriate actions are a matter within the Commission jurisdiction.
4. Adoption of the proposed amended 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 amended field rules for the Carthage (Blossom) Field.

Respectfully submitted,

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