November 30, 2007

OIL AND GAS DOCKET NO. 06-0254313

APPLICATION OF WAGNER & BROWN, LTD. TO AMEND THE FIELD RULES FOR THE DOUGLAS, SW. (PETTIT, UPPER) FIELD, NACOGDOCHES COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.
DATE OF HEARING: November 28, 2007

APPEARANCES:	**REPRESENTING:**
Glenn E. Johnson, attorney	Wagner & Brown, Ltd.
Billy Harris	

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Wagner & Brown to amend the field rules as adopted in Order No. 6-63,923, effective April 24, 1974, for the Douglas, SW. (Pettit, Upper) Field that currently provide for the following:

1. Minimum well spacing of 1867'/3735' (lease line/between well);

2. 640 acre gas proration units plus 10% tolerance and a maximum diagonal of 8,500';

3. An allocation formula based on 100% acreage.

Wagner & Brown proposes the following:

1. Minimum well spacing of 467'/933' (lease line/between well);

2. The addition of optional 80 acre density and a maximum diagonal of 3,250'.

3. No Change and the allocation formula remain suspended.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Douglas, SW. (Pettit, Upper) Field was discovered in 1973 at 9,088' subsurface depth. The field is governed by special field rules as adopted by Order No.6-63,923, effective April 24, 1974, that provide for minimum well spacing of 1867'/3735' (lease line/between well), 640 acre gas proration units plus 10% tolerance and a maximum diagonal of 8,500' and an allocation formula based on 100% acreage. The allocation formula was suspended pursuant to Order No. 06-0212310, effective June 25, 1996. Fair Oil, Ltd, is the only operator in the field with 3 wells. Wagner & Brown has standing to proposed the amended field rules as it has obtained a farm-out program for Fair Oil and is currently drilling a well in the field.

Optional 80 acre density is necessary to provide for the efficient and effective depletion of the reservoir. Cumulative production from the field is 23.62 BCF of gas. A total of six wells have produced from the reservoir. Three of the plugged wells have recoveries of 2.7; 4.2 and 1.8 BCF. Basic reservoir parameters are: average porosity of 12%; average water saturation of 35% and an average net pay of 12'. Material balance and volumetric analysis were utilized to determine pressure communication in the reservoir. Material balance (P/Z) estimates original gas-in-place to be 38.1 BCF (cumulative recovery is 62% OGIP). Volumetric analysis calculates the original gas-in-place to be 44.5 BCF (cumulative recovery is 53.1% OGIP). Decline curve analysis estimates ultimate recovery from the existing wells to be 23.8 BCF which is 53.5% of the volumetric calculated OGIP. Assuming a 75% recovery factor for gas wells in a pressure depletion reservoir, 9.6 BCF of gas remains to be recovered. This demonstrates the existing wells on 640 acre density will not recover the remaining recoverable gas-in-place.

The proposed minimum well spacing, 467'/933' (leaseline/between well) is necessary to allow flexibility in locating wells in the reservoir to maximize pressure reduction in the recovery of gas.

No change is proposed in the allocation formula. To insure there is no limit imposed by proration, it is recommended suspension of the allocation formula be continued.

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. Wagner & Brown has standing to proposed the amended field rules as it has obtained a farm-out program for Fair Oil and is currently drilling a well in the field.

2. There was no protest at the call of the hearing.

3. The Douglas, SW. (Pettit, Upper) Field was discovered in 1973 at 9,088' subsurface depth.

    a. The field is governed by special field rules as adopted by Order No.6-63,923, effective April 24, 1974, that provide for minimum well spacing of 1867'/3735'

(lease line/between well), 640 acre gas proration units plus 10% tolerance and a maximum diagonal of 8,500' and an allocation formula based on 100% acreage.

b. The allocation formula was suspended pursuant to Order No. 06-0212310, effective June 25, 1996.

4. Optional 80 acre density is necessary to provide for the efficient and effective depletion of the reservoir.

a. Cumulative production from the field is 23.62 BCF of gas from a total of six wells that have produced from the reservoir.

b. Material balance (P/Z) estimates original gas-in-place to be 38.1 BCF (cumulative recovery is 62% OGIP).

c. Volumetric analysis calculates the original gas-in-place to be 44.5 BCF (cumulative recovery is 53.1% OGIP).

d. Decline curve analysis estimates ultimate recovery from the existing wells to be 23.8 BCF which is 53.5% of the volumetric calculated OGIP.

e. A conservative 75% recovery factor for gas wells in a pressure depletion reservoir estimates that 9.6 BCF of gas remains to be recovered.

6. The proposed minimum well spacing, 467'/933' (leaseline/between well) is necessary to allow flexibility in locating wells in the reservoir to maximize pressure reduction in the recovery of gas.

7. To insure there is no limit imposed by proration, suspension of the allocation formula should be continued.

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 of 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 Douglas, SW. (Pettit, Upper) Field.

Respectfully submitted,

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