

OIL AND GAS DOCKET NO. 06-0255296

THE APPLICATION OF SAMSON LONE STAR LLC TO AMEND THE FIELD RULES FOR THE DOUGLASS, W. (TRAVIS PEAK) FIELD, NACOGDOCHES COUNTY, TEXAS

Heard by: Andres J. Trevino P.E., Technical Examiner

Hearing Date: February 22, 2008

Appearances:

James M. Clark

Chris Whitten

Representing:

Samson Lone Star LLC

Indigo Minerals LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Douglass, W. (Travis Peak) Field were amended on June 10, 2003 in Docket No. 06-0234487. The rules currently in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 9,400 feet to 11,716 feet as shown on the log of the Douglass Gas Unit 6, Well No. 5;
2. 467'-1,200' well spacing;
3. 320 acre gas units plus 10% tolerance; optional 80 acre units;
4. Allocation based on 95% deliverability and 5% per well, Allocation formula suspended.

It is requested that the field rules be amended as follows:

1. No Change;

2. 467'-600' well spacing;
3. No Change in density, with special provisions for Rule 38 exceptions after notice and exemption from filing proration plats while allocation formula is suspended;
4. No Change, continuation of AOF status.

This application was unopposed and the examiner recommends that the field rules for the Douglass, W. (Travis Peak) Field be amended as proposed.

DISCUSSION OF EVIDENCE

The Douglass, W. (Travis Peak) Field was discovered in 1973. This field is currently undergoing rapid development. In 2001 there was only 20 wells producing in this field and there are currently 271 wells. Average monthly production is about 2.2 BCF per month. Cumulative production from the field is about 104 BCF of gas. The field is classified a non-associated gas with AOF status.

The Douglass, W. (Travis Peak) Field is large field comprising approximately 54,100 acres. Samson holds 85% of the acreage and 82% of the wells in the field. The Travis Peak is a thick (2,316 foot) series of sand and shale lenses. The productive sands vary from well to well. The wells in the field have large variations in production.

Samson believes that some areas of the subject field must be developed to a density greater than 80 acres per well. As an example, Samson's 3,156 acre Hayter, Sam B. Est lease is already developed to an average of 67 acres per well. Samson has obtained many Rule 38 exceptions on this lease. Samson provided evidence that remaining recoverable reserves on the lease at the current pressure were 70 BCF of gas. Even with the numerous Rule 38 exceptions granted for the lease, there would still be 47 BCF of gas unrecovered by existing wells. However, Samson acknowledges that there are areas of the field which do not need to be developed as densely. It is therefore requested that the 320/optional 80 acre density rule remain in effect, but that special provisions be adopted for the field which will allow the administrative approval of Rule 38 exceptions after notice to all operators and unleased mineral owners of tracts within 600 feet of any point on a well within the correlative interval. If no written protest is received after 21 days of Commission issued notice of an application, or if waivers are received, the application will be approved administratively without the filing of evidence to support the exception. If a written protest is received, the application will be set for hearing. This same procedure has been in place in the Spraberry (Trend Area) Field since the field rule was adopted in Oil & Gas Docket 08-0213934 in 1997 and the Red Deer Creek (Granite Wash) Field in Oil & Gas Docket 10-0253877 in 2007.

Samson requests that the spacing rules for the field be amended to accommodate drilling of additional infill wells. Samson requests that the minimum lease line spacing of

467 feet be maintained for all wells and that spacing between wells be maintained at a minimum of 600 feet. This will allow operators to complete additional infill wells without the need to obtain a Rule 37 exception. The 600 foot between well spacing will also promote commingling of the Pettit and James Lime with Travis Peak wells. Samson also requests that no proration plats be filed as acreage is not part of the allocation formula and while the allocation formula remains suspended.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. There was no protest at the call of the hearing.
3. The Douglass, W. (Travis Peak) Field was discovered in 1973.
4. The field is a non- associated gas field. Special rules governing the field provide for 467'-1,200' well spacing, 320/optional 40 acre density and 95% deliverability and 5% per well allocation.
5. There are 271 active gas wells in the field and Samson operates 82% of those wells.
6. The Travis Peak formation is a thick series of lenticular sand and shale members. Well production can vary greatly from well to well.
7. Certain leases in the field require additional infill drilling to maximize recovery from the field.
 - a. Samson's Hayter, Sam B. Est Lease has 47 wells permitted at an average density of 67 acres per well.
 - b. With current drainage and permitted wells approximately 40% of recoverable reserves from the Lease will not be recovered.
 - c. Current density rules will not allow effective drainage of remaining reserves.
8. The correlative interval from 9,400 feet to 11,716 feet as shown on the log of the Douglass Gas Unit 6, Well No. 5 includes the entire Travis Peak interval remains unchanged.
9. Spacing a minimum of 467 feet from lease lines and 600 feet between wells will allow the recovery of additional reserves through flexible well spacing and

additional infill drilling.

10. The proposed Statewide Rule 38 exception language has been in place in the Spraberry (Trend Area) Field since 1997 by Oil & Gas Docket 08-0213934 and the Red Deer Creek (Granite Wash) Field in Oil & Gas Docket 10-0253877 in 2007.

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 Douglass, W. (Travis Peak) Field as proposed by Samson Lone Star LLC is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the field rules for the Douglass, W. (Travis Peak) Field be amended as proposed by Samson and the allocation formula remain suspended.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner