

OIL AND GAS DOCKET NO. 06-0258002

THE APPLICATION OF WAGNER & BROWN, LTD TO AMEND THE FIELD RULES FOR THE WOODLAWN (COTTON VALLEY) FIELD, HARRISON AND MARION COUNTIES, TEXAS

Heard by: Donna K. Chandler on August 8, 2008

Appearances:

Glenn Johnson
Billy Harris

Representing:

Wagner & Brown, Ltd.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Woodlawn (Cotton Valley) Field are summarized as follows:

1. Designation of the field as the correlative interval from 8,345 feet to 11,685 feet as shown on the log of the Davis Gas Unit "A" No. 2;
2. 467'-600' well spacing, with special provisions for distance measurements in horizontal wells;
3. 640 acre gas units with optional 80 acre units;
4. Allocation based on 95% deliverability and 5% per well, with AOF status.

Wagner & Brown requests that the rules be amended to include additional language allowing off-lease penetration points in the field.

The examiner recommends that the field rules for the Woodlawn (Cotton Valley) Field be amended as proposed by Wagner & Brown.

DISCUSSION OF EVIDENCE

The Woodlawn (Cotton Valley) Field was discovered in 1965. The field is an associated gas field with approximately 175 gas wells. The allocation formula is currently suspended.

Operators are currently developing the field with horizontal wellbores and field rules were recently adopted regarding measuring distances to lease lines and between wells based on “take points” in wellbores. Take points are defined as any point in a horizontal drainhole well where oil and/or gas can be produced from the field.

Wagner & Brown is now requesting that the field rules be amended to provide for offsite penetration points. Rule 86 requires that the penetration point of a horizontal drainhole be on the lease. In some cases, it is beneficial to penetrate the reservoir off lease, while still having “take points” no closer than allowed under the field rules. In this field, it generally requires about 480 feet of horizontal displacement to make the 90 degree turn from the penetration point until the well is horizontal. If the penetration point is required to be 467 feet from lease lines, then the first point of production is almost 1,000 feet from the lease line. The proposed rules will allow a larger length of producing drainhole, resulting in the recovery of additional reserves. Field rules for the Newark, East (Barnett Shale) Field provide for offsite penetration points, after notice to the mineral owners of the offsite tract on which the penetration point is located.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. Field rules for the Woodlawn (Cotton Valley) Field provide for a designated interval, 467'-600' well spacing and 640 acre gas units with optional 80 acre units. Field rules also provide for measurement of distances to lease lines and between wells based on “take points”.
3. The Woodlawn (Cotton Valley) Field was discovered in 1965. The field is an associated gas field with approximately 175 wells and is actively being developed with horizontal drainhole wells.
4. Allowing offsite penetration points, after notice to mineral owners of the offsite tract, will result in maximum producing drainhole length, thereby increasing ultimate recovery from horizontal drainhole wells.

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 Woodlawn (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 amend the field rules for the Woodlawn (Cotton Valley) Field to provide for offsite penetration points, as proposed by Wagner & Brown.

Respectfully submitted,

Donna K. Chandler
Technical Examiner