

APPLICATION OF COMSTOCK OIL AND GAS LP TO AMEND FIELD RULE NO. 1 IN THE WASKOM (COTTON VALLEY) FIELD AND CONSIDER A BLANKET EXCEPTION TO STATEWIDE RULE 10 FOR ALL CURRENT AND FUTURE WELLS IN THE WASKOM (COTTON VALLEY) AND CARTHAGE, NORTH (BOSSIER SHALE) FIELDS, HARRISON, MARION AND PANOLA COUNTIES, TEXAS

HEARD BY: Andres J. Trevino, P.E.

DATE OF HEARING: September 19, 2008

APPEARANCES:

David Gross
Rick A. Johnston

REPRESENTING:

Comstock Oil and Gas, LP

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

Comstock Oil and Gas, LP requests that the designated interval for the Waskom (Cotton Valley) Field be amended to exclude the Bossier Shale. Comstock also requests exceptions to Statewide Rule 10 for any well presently or ever completed in the Waskom (Cotton Valley) and Carthage, North (Bossier Shale) Fields. Comstock requests that the commingled wellbores be assigned to the Carthage, North (Bossier Shale) Field for proration purposes. The examiner recommends approval of the requested amended field rule and Blanket Rule 10 authority.

DISCUSSION OF THE EVIDENCE

The Waskom (Cotton Valley) Field's designated interval of 7,720' to 11,095' was adopted by Oil & Gas Docket 06-0252470, effective January 28, 2008 when the Elysian, N. (Cotton Valley) Field was consolidated into the field. The current interval includes Cotton Valley Sands and the Bossier Shale. Comstock requests to amend the designated interval as adopted in 2008 to exclude the Bossier Shale. The proposed designated interval of 7,720' to 9,400' as shown on the Dual Induction-SFL log of the Arkansas Louisiana Gas Corporation, Waskom Smackover Unit Well No. 1, API No. 42-203-30089, T.D. Wilson Survey, A-778, Harrison County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Waskom (Cotton Valley) Field. The Cotton Valley Formation lays over the Bossier Shale. The Carthage, North (Bossier Shale) Field has a designated interval that only includes the Bossier Shale. The two fields have grown together and overlap each other. Field rules for the Carthage, North (Bossier Shale) Field are better suited to develop the Bossier Shale as they allow Stacked Laterals while the Waskom Field rules do not.

The Waskom (Cotton Valley) Field has 15 operators with 230 gas wells and ten oil wells. The Carthage, North (Bossier Shale) Field is a non-associated field with two operators and 13 vertical gas wells carried on the proration schedule. Cumulative production from the Waskom (Cotton Valley) Field is 273.6 BCF and 1.91 MMBC and an average current daily production per well of 215 MCFD. There have been over 15 exceptions to Statewide Rule 10 allowing wells to be commingled in the other Cotton Valley fields with the Carthage, North (Bossier Shale) Field in this area. The commingled wells are carried in the Cotton Valley Fields.

The Carthage, North (Bossier Shale) Field was discovered in April 2006 at a depth of 10,750'. Field rules specifying 330'-500' well spacing with 0' between vertical and horizontal wells, 40 acre proration units and Stacked lateral rules were adopted. The Waskom (Cotton Valley) Field was discovered in 1955 and with field rules specifying 467'-933' well spacing with 0' between vertical and horizontal wells, 640 acre proration units with optional 40 acre units are adopted. The allocation formula is suspended in both fields. Comstock operates about 46 of the wells in the Waskom (Cotton Valley) Field and plans to drill wells in the Carthage, North (Bossier Shale) Field then later add perforations into the Cotton Valley. Other operators that have already drilled vertical wells in the Bossier Shale will commingle production with the Cotton Valley. Cumulative production from the Carthage, North (Bossier Shale) Field is 2.9 BCF and 14,960 BC; and an average current daily production per well of 633 MCFD.

The Carthage, North (Bossier Shale) Field will likely be developed in the future similarly as the Newark, East (Barnett Shale) Field with horizontal wells. Comstock believes downhole commingling wells in these fields when the Bossier Shale interval has been depleted will lower the economic limit and thereby increase recovery.

No fluid compatibility problems have occurred in previously commingled wells. Any cross-flow which may occur will therefore not cause reservoir damage. Comstock does not expect any cross-flow to occur because the zones will have similar bottom hole pressures prior to commingling.

It is requested that the commingled wellbores be assigned to the Carthage, North (Bossier Shale) Field for proration purposes.

Comstock provided notice of this hearing to all operators in all of the subject fields. No one appeared at the hearing to protest the application.

FINDINGS OF FACT

1. Notice of this hearing was issued to all operators in the Waskom (Cotton Valley) and Carthage, North (Bossier Shale) Fields.

2. A contraction of the correlative interval for the field to exclude the Bossier Shale zones found in the Waskom (Cotton Valley) Field will allow independent development of the Carthage, North (Bossier Shale) Field.
3. Field rules for the Carthage, North (Bossier Shale) Field are better suited to develop the Bossier Shale as they allow Stacked Laterals while the Waskom Field rules do not.
4. The Waskom (Cotton Valley) Field should be designated as the correlative interval from 7,720' to 9,400' as shown on the Dual Induction-SFL log of the Arkansas Louisiana Gas Corporation, Waskom Smackover Unit Well No. 1.
5. The Waskom (Cotton Valley) Field has 15 operators with 230 gas wells and ten oil wells. Field rules specify 467'-933' well spacing with 0' between vertical and horizontal wells, 640 acre proration units with optional 40 acre units are adopted.
3. The Carthage, North (Bossier Shale) Field has two operators and 13 gas wells carried on the proration schedule. Field rules specify 330'-500' well spacing with 0' between vertical and horizontal wells, 40 acre proration units and Stacked lateral rules. Both fields are AOF.
4. Cumulative production from the Waskom (Cotton Valley) Field is 273.6 BCF and 1.91 MMBC; and cumulative production from the Carthage, North (Bossier Shale) Field is 2.9 BCF and 14,960 BC.
8. There have already been 15 exceptions to Statewide Rule 10 allowing wells to be commingled in the Carthage, North (Bossier Shale) Field and other Cotton Valley fields in this area with the commingled wells carried in the Cotton Valley Fields.
 - a. The daily average production per well in the Waskom (Cotton Valley) Field is 215 MCFD.
 - b. The daily average production per well in the Carthage, North (Bossier Shale) Field is 633 MCFD.
9. Cross-flow between the fields is not expected because bottomhole pressures will be similar prior to commingling.
10. Downhole commingling wells in these fields will lower the economic limit and thereby increase recovery and will prevent waste.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested Rule 10 exceptions for all wells in Waskom (Cotton Valley) and Carthage, North (Bossier Shale) Fields will prevent waste and will not harm correlative rights.
4. Amending Field Rule No. 1 for the Waskom (Cotton Valley) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the requested amended Field Rule No. 1 in the Waskom (Cotton Valley)Field and Rule 10 exceptions for all wells in the Waskom (Cotton Valley) and Carthage, North (Bossier Shale) Fields, as specified in the attached order.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner
Office of General Counsel