

OIL AND GAS DOCKET NO. 06-0271584

THE APPLICATION OF NFR ENERGY, LLC TO AMEND FIELD RULES FOR THE MINDEN (COTTON VALLEY CONS.) FIELD, RUSK COUNTY, TEXAS

HEARD BY: Brian K. Fancher - Technical Examiner
Richard D. Atkins, P.E. - Technical Examiner

HEARING DATE: August 17, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Flip Whitworth
Dale E. Miller

NFR Energy, LLC

OBSERVER:

Michael McElroy

Forest Oil Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Minden (Cotton Valley Cons.) Field were adopted in Final Order No. 06-0243684, effective September 27, 2005. The current Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 9,180 feet to 10,697 feet, as shown on the electric log of the El Paso Production Company, Rushton Lease, Well No. 1(API No. 42-401-33218), M. Del Carmel Survey, A-158, Rusk County, Texas.
2. 467'-933' well spacing, no minimum between well spacing between vertical and horizontal wells with special provisions for "take points".

3. 40 acre units with 10% tolerance acreage.
4. Allocation based on 5% deliverability and 95% acreage, with AOF status.

NFR Energy, LLC ("NFR") seeks to amend Field Rule No. 2 to provide for an "off-lease" penetration point for horizontal drainhole wells. In addition, NFR requests that operators be exempt from filing proration unit plats while the allocation formula is suspended. The application was unopposed and the examiner recommends that Field Rules for the Minden (Cotton Valley Cons.) Field be adopted, as proposed by NFR.

DISCUSSION OF THE EVIDENCE

The Minden (Cotton Valley Cons.) Field was formed in September 2005 with the consolidation of several Cotton Valley fields. The field is classified as non-associated and operates under special field rules. There are 396 producing gas wells and numerous operators carried on the July 2011 proration schedules. The GOR is confined to 10,000 standard cubic feet per barrel. Cumulative production from the field through July 2011 is 175 BCF and 1.03 MMBC.

NFR is proposing to further the development of the subject field by drilling horizontal wells in the future and requests Field Rules to allow for an "off-lease" penetration point for horizontal drainhole wells. In certain instances, it is beneficial to penetrate the reservoir off lease while still having "take points" no closer to lease lines than allowed under specific field rules. Statewide Rule 86 requires that the penetration point of a horizontal drainhole be located on the associated lease. NFR indicated a well completed in the subject field requires approximately 500-600 feet of horizontal displacement to build a ninety (90) degree angle from vertical to horizontal in the subject field. The proposed rule will allow operators to drill horizontal wells with the penetration point, as defined by Rule 86, off of the lease, as long as no take-point is closer than 467' to the lease line. The applicant testified the proposed field rule will allow for the increased recovery of hydrocarbons in the field by maximizing the lateral portion of horizontal wells completed in the subject field. NFR proposes that an offsite penetration point be allowed after notice to the mineral owners of the off-lease tract is administered and if no protest is received. The applicant's submitted language to amend the Field Rules allowing for an "off lease" penetration point, annotates a applicant of such a drilling permit administer notice to affected parties through regular mail. The examiner determined such notice to be inconsistent with field rules approved for similar fields. The applicant did not consider the examiner's opinion as adverse in this instance.

To satisfy state statutes, NFR requests the allocation formula remain unchanged. Further, the applicant requests the allocation formula remain suspended, as there is a 100% market demand for all of the gas produced from the field.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Minden (Cotton Valley Cons.) Field was formed in September 2005 with the consolidation of several Cotton Valley fields.
 - a. The field is classified as non-associated and operates under special field rules.
 - b. There are 396 producing gas wells and numerous operators carried on the July 2011 proration schedules.
 - c. The GOR is confined to 10,000 standard cubic feet per barrel.
3. The field is designated as the correlative interval from 9,180 feet to 10,697 feet, as shown on the electric log of the El Paso Production Company, Rushton Lease, Well No. 1 (API No. 42-401-33218), M. del Carmel Survey, A-158, Rusk County, Texas.
4. Allowing an off-lease penetration point will result in maximizing the drainhole length of a horizontal well completed in the subject field, thereby increasing ultimate recovery from horizontal drainhole wells. The proposed rule will allow approximately an additional 400 feet of producing drainhole. To protect correlative rights, prior notice and opportunity to object should be given to the mineral owners and operators of offsite surface locations.
5. Similar horizontal drainhole well rules have already been adopted in the shallower Oak Hill (Travis Peak) and deeper Carthage (Haynesville Shale) Fields.
6. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all the gas produced from the field.
7. The exemption from filing proration unit plats is appropriate while the allocation formula is suspended.

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 Field Rules for the Minden (Cotton Valley Cons.) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend Field Rules for the Minden (Cotton Valley Cons.) Field, as requested by NFR Energy, Inc.

Respectfully submitted,

Brian K. Fancher
Technical Examiner