

THE APPLICATION OF SAMSON LONE STAR, LLC TO AMEND FIELD RULE NOS. 2 AND 5 FOR THE CARTHAGE, SE (CV) FIELD, PANOLA COUNTY, TEXAS

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

HEARING DATE: March 15, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

James M. Clark

Samson Lone Star, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Carthage, SE (CV) Field were adopted in Final Order No. 6-73,109, issued effective October 1, 1979, as amended. The Field Rules are summarized as follows:

1. Designation of the field as the correlative interval from 8,263 feet to 9,558 feet as shown on the log of the Werner Caraway No. 2;
2. 467'-933' well spacing with special provisions for "take points" and "off-lease" penetration point in horizontal wells and no minimum spacing requirement between horizontal and vertical wells;
3. 640 acre gas units with optional 40 acre density;
4. Allocation based on 100% acreage;
5. Special provisions for horizontal "stacked lateral" wells.

Samson Lone Star, LLC ("Samson") requests that Field Rule Nos. 2 and 5 be amended as follows:

2. 330'-0' well spacing with special provisions for "take points", "off-lease" penetration point, no perf zones and a 50 foot "box" rule for horizontal wells;
5. For "stacked lateral" wells, eliminate the requirement that the surface locations

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must be within 250 feet of each other.

This application was unopposed and the examiner recommends that Field Rule Nos. 2 and 5 for the Carthage, SE (CV) Field be amended, as proposed by Samson.

DISCUSSION OF EVIDENCE

The Carthage, SE (CV) Field was discovered in December 1975 at a depth of approximately 8,800 feet. The field is a non-associated gas field with 19 producing gas wells and six operators carried on the proration schedule. Samson operates all except six of the producing wells in the field. The allocation formula is currently suspended. Cumulative production from the field through December 2010 is 29.2 BCFG and 535.6 MBO.

Samson is proposing to drill additional horizontal wells and requests horizontal rules in order to promote the efficient and effective development of the remaining hydrocarbons. Samson requests a spacing rule that requires 330' lease line spacing, no between well spacing with special provisions for "take points", "off-lease" penetration point and a 50 foot "box rule" for horizontal drainhole wells. Samson argues that the proposed spacing is necessary to allow drilling of horizontal wells which may have to be placed very near each other in some cases.

Samson proposes a tolerance "box rule" for horizontal drainhole wells that would allow drainholes to deviate 50 feet from either side of their permitted track without the necessity of obtaining a Statewide Rule 37 exception. As drilled wells for which all points are located within the "box" would be considered in compliance with their drilling permits.

Samson requests to eliminate the requirement that the surface locations must be within 250 feet of each other for "stacked lateral" wells. The rule would allow stacked horizontal laterals within the Cotton Valley correlative interval that are drilled from different surface locations to be considered a single well for regulatory purposes. It is proposed that a stacked lateral be defined to be multiple horizontal drainholes which are drilled from different surface locations.

Similar horizontal drainhole rules have been adopted in nine other tight Cotton Valley fields, as well as in the deeper Carthage (Haynesville Shale) Field. Samson also requests that the allocation formula remain suspended, as there is a 100% market for all of the gas produced from the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.

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2. The Carthage, SE (CV) Field was discovered in December 1975 at a depth of approximately 8,800 feet. The field is a non-associated gas field with 19 producing gas wells and six operators carried on the proration schedule.
3. Field rules for the Carthage, SE (CV) Field provide for a designated interval, 467'-933' well spacing, no minimum between well spacing between vertical and horizontal wells with special provisions for "take points" and an "off-lease" penetration point for horizontal drainhole wells and 640 acre gas units with optional 40 acre density.
4. The Carthage, SE (CV) Field is actively being developed with horizontal drainhole wells.
5. Field Rules that provide for 330' lease line spacing and no between well spacing with special provisions for "take points", "off-lease" penetration point, a 50 foot "box rule" and "stacked laterals" for horizontal wells will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
6. The proposed 50 foot "box rule" is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
7. The proposed "stacked lateral" rule will allow stacked horizontal laterals within the Cotton Valley correlative interval that are drilled from different surface locations to be considered a single well for regulatory purposes, which will facilitate the additional recovery of gas.
8. Similar horizontal drainhole rules have been adopted in nine other tight Cotton Valley fields, as well as in the deeper Carthage (Haynesville Shale) Field.
9. Continued suspension of the allocation formula is appropriate, as there is a 100% market for all the gas produced from the field.

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 Rule Nos. 2 and 5 for the Carthage, SE (CV) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

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RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend Field Rule Nos. 2 and 5 for the Carthage, SE (CV) Field, as proposed by Samson Lone Star, LLC.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner