

OIL AND GAS DOCKET NO. 10-0269793

THE APPLICATION OF SAMSON LONE STAR, LLC TO AMEND FIELD RULE NOS. 2 AND 3 FOR THE WHEELER N.E. (GRANITE WASH) FIELD, WHEELER COUNTY, TEXAS

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

HEARING DATE: April 14, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Glenn E. Johnson
James M. Clark

Samson Lone Star, LLC

PROTESTANT:

Richard P. Marshall, Jr.

Forest Oil Company

INTERVENOR:

Sandra Bolz Buch

Devon Energy Production Co, LP

INTERESTED PARTY:

Bill Spencer

Chesapeake Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Wheeler N.E. (Granite Wash) Field were adopted in Final Order No. 10-0259373, effective January 15, 2009. The Field Rules are summarized as follows:

1. Designation of the field as the correlative interval from 11,070 feet to 13,740 feet as shown on the log of the H.L. Brown, Jr. - Edwards Lease, Well No. 2 (API No. 42-483-31203);
2. 467'-660' well spacing with special provisions for "take points" and "off lease" penetration point in horizontal wells;

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3. Special provisions for horizontal “stacked lateral” wells;
4. Allocation based on 95% deliverability/potential and 5% per well with AOF status.

Samson Lone Star, LLC (“Samson”) requests that Field Rule Nos. 2 and 3 be amended as follows:

2. 467'-660' well spacing and 200' lease line spacing for the first and last take points with special provisions for “take points”, “off-lease” penetration point, no perf zones and a 47 foot “box” rule for horizontal wells;
3. For “stacked lateral” wells, eliminate the requirement that the surface locations must be within 250 feet of each other.

Prior to the hearing, the 200' lease line spacing for the first and last take points provision was protested. At the hearing, Samson withdrew the 200' lease line spacing for the first and last take points provision. The application was then unprotested and the examiner recommends that Field Rule Nos. 2 and 3 for the Wheeler N.E. (Granite Wash) Field be amended, as proposed by Samson.

DISCUSSION OF EVIDENCE

The Wheeler N.E. (Granite Wash) Field was discovered in November 1984 at an average depth of 11,800 feet. The field is an associated gas field with 6 producing gas wells, one shut-in oil well and five operators carried on the proration schedules. The allocation formula is currently suspended. Cumulative production from the field through December 2010 is 24.1 BCFG and 756.7 MBO.

Samson is proposing to drill additional horizontal wells and requests additional horizontal rules in order to promote the efficient and effective development of the remaining hydrocarbons. Samson requests 467'-660' well spacing with special provisions for “take points”, “off-lease” penetration point, no perf zones and a 47 foot “box” rule for horizontal 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 47 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 Granite Wash correlative interval that are drilled from different

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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.

Samson submitted a table which showed that 10 Granite Wash fields already had an “off-lease” penetration point rule. The table included the Mills Ranch (Granite Wash Cons.) and Stiles Ranch (Granite Wash Cons) Fields. Samson also requests that 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 hearing was given to all persons entitled to notice and no protests were received.
2. The Wheeler N.E. (Granite Wash) Field was discovered in November 1984 at an average depth of 11,800 feet. The field is an associated gas field with 6 producing gas wells, one shut-in oil well and five operators carried on the proration schedules.
3. Field Rules for the Wheeler N.E. (Granite Wash) Field provide for a designated interval, 467'-660' well spacing with special provisions for “take points”, “off-lease” penetration point and “stacked laterals” in horizontal wells.
4. The Wheeler N.E. (Granite Wash) Field is actively being developed with horizontal drainhole wells.
5. Field Rules that provide for 467'-660 well spacing with special provisions for “take points”, “off-lease” penetration point, a 47 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 47 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 Granite Wash 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. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all of 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 3 for the Wheeler N.E. (Granite Wash) 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 Rule Nos. 2 and 3 for the Wheeler N.E. (Granite Wash) Field, as proposed by Samson Lone Star, LLC.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner