

OIL AND GAS DOCKET NO. 10-0271882

THE APPLICATION OF SAMSON LONE STAR, LLC TO AMEND FIELD RULE NO. 2 FOR THE STILES RANCH (GRANITE WASH CONS) FIELD, HEMPHILL AND WHEELER COUNTIES, TEXAS

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

HEARING DATE: September 19, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Glenn E. Johnson
James M. Clark
Randal L. Maxwell

Samson Lone Star, LLC

OBSERVERS:

Matthew Baab

Devon Energy Production Co, LP

Bill Spencer

Apache Corporation

George C. Neale

Crest Resources, Inc.

Dale Miller
Beverly Brown

Newfield Expl. Mid-Con. Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Stiles Ranch (Granite Wash Cons) Field were originally adopted in Final Order No. 10-0255754, effective June 24, 2008, as amended. The Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 12,344 feet to 16,164 feet as shown on the log of the Ladd Petroleum Corporation - Britt "K" Lease, Well No. 1 (API No. 42-483-31377);
2. 467'-0' well spacing with special provisions for "take points" and "off-lease" penetration point for horizontal drainhole wells;

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3. 40 acre density;
4. Allocation based on 95% deliverability/potential and 5% per well with AOF status.

Samson Lone Star, LLC ("Samson") requests that Field Rule No. 2 be amended to provide for 467'-0' well spacing with 200' lease line spacing for the first and last take points and special provisions for "take points", "off-lease" penetration point and a 47 foot "box" rule for horizontal drainhole wells.

The application was unopposed and the examiner recommends that Field Rule No. 2 for the Stiles Ranch (Granite Wash Cons) Field be amended, as proposed by Samson.

DISCUSSION OF EVIDENCE

The Stiles Ranch (Granite Wash Cons) Field was created in June 2008 by the consolidation of the Stiles Ranch (Granite Wash) and Stiles Ranch (Atoka) Fields. The field has an average depth of 12,300 feet and is designated as non-associated with 446 producing gas wells and thirteen operators carried on the proration schedule. The field operates under Field Rules that provide for a designated interval, 467'-0' well spacing and 40 acre density. The allocation formula is currently suspended. Cumulative production from the field through July 2011 is 336.4 BCFG and 5.3 MMBO.

The subject Granite Wash field is actively being developed with horizontal drainhole wells. Samson requests 467'-0' well spacing, 200' lease line spacing for the first and last take points with special provisions for "take points", "off-lease" penetration point and a 47 foot "box" rule for horizontal drainhole wells. 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. At least six other Granite Wash fields already have a similar spacing rule, which includes the Allison Parks, Buffalo Wallow and Hemphill (Granite Wash) Fields.

Samson performed a reservoir simulation study to determine if a 200' lease line spacing for the first and last take points would increase the ultimate recovery from the Granite Wash formation. The study showed that two wells offset by 467 feet would recover 84% of the original gas in place and two wells offset by 200 feet would recover 88% of the original gas in place. The 200' lease line spacing for the first and last take points will result in an additional gas recovery of 4% of the original gas in place, or 333 MMCFG.

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.

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FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Stiles Ranch (Granite Wash Cons) Field was created in June 2008 by the consolidation of the Stiles Ranch (Granite Wash) and Stiles Ranch (Atoka) Fields.
 - a. The field has an average depth of 12,300 feet and is designated as non-associated with 446 producing gas wells and thirteen operators carried on the proration schedule.
 - b. The field operates under Field Rules that provide for a designated interval, 467'-0' well spacing and 40 acre density.
 - c. The allocation formula is currently suspended.
3. The subject Granite Wash field is actively being developed with horizontal drainhole wells.
4. Field Rules that provide for 467'-0' well spacing, 200' lease line spacing for the first and last take points with special provisions for "take points", "off-lease" penetration point and a 47 foot "box" rule for horizontal drainhole wells will provide greater flexibility in selecting future drilling locations.
5. At least six other Granite Wash fields already have a similar spacing rule, which includes the Allison Parks, Buffalo Wallow and Hemphill (Granite Wash) Fields.
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 200' lease line spacing for the first and last take points will result in an additional gas recovery of 4% of the original gas in place, or 333 MMCFG.
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

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jurisdiction in this matter.

3. Amending Field Rule No. 2 for the Stiles Ranch (Granite Wash 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 Rule No. 2 for the Stiles Ranch (Granite Wash Cons) Field, as proposed by Samson Lone Star, LLC.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner