

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

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner

HEARING DATE: November 28, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

James M. Clark

Samson Lone Star, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Lott Ranch (Granite Wash Field Cons) Field include provisions for horizontal rules and stacked lateral wells. Samson Lone Star, LLC ("Samson") requests that Field Rule No. 2 be amended, as follows:

2. 467'-0' well spacing, 200' lease line spacing for the first and last take points with special provisions for "take points", no perf zones and a 47 foot "box" rule for horizontal wells;

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

DISCUSSION OF EVIDENCE

The Lott Ranch (Granite Wash Field Cons) Field was formed with the consolidation of several Granite Wash fields into the Lott Ranch Field in January 2009. The non associated gas field has three operators with 6 wells in the field. Samson recently drilled the Lott 2 No. 3H in the field. Samson is proposing to drill additional horizontal wells and requests additional horizontal rules for consistency and in order to promote the efficient and effective development of the remaining hydrocarbons.

Samson requests 467'-0' well spacing, 200' lease line spacing for the first and last take points with special provisions for "take points", no perf zones and a 47 foot "box" rule

OIL AND GAS DOCKET NO. 10-0272904

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 submitted an area map which showed that seven Granite Wash fields already have similar horizontal well rules that Samson is proposing for the Lott Ranch (Granite Wash Field Cons) Field. The map included the Allison Parks, Buffalo Wallow, Hemphill, Mendota Northwest, West Park, Wheeler Northeast and Stiles Ranch Fields.

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 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.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Lott Ranch (Granite Wash Field Cons) Field was formed with the consolidation of several Granite Wash fields into the Lott Ranch Field in January 2009. The non associated gas field has three operators with 6 wells in the field.
3. Samson recently drilled the Lott 2 No. 3H in the field. Samson is proposing to drill additional horizontal wells.
4. The seven area Granite Wash fields are actively being developed with horizontal drainhole wells and have similar proposed horizontal rules.
5. Similar and consistent horizontal rules will promote the efficient and effective development of the remaining hydrocarbons.
6. 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”, no perf zones and a 47 foot “box” rule for horizontal wells will provide consistency in developing the six subject fields and will allow greater flexibility in selecting

OIL AND GAS DOCKET NO. 10-0272904

future drilling locations.

7. The proposed 47 foot "box rule" is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
8. 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.

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 No. 2 for the Lott Ranch (Granite Wash Field Cons) Field is necessary to prevent waste, protect correlative rights and promote development of the fields.

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 Lott Ranch (Granite Wash Field Cons) Field, as proposed by Samson Lone Star, LLC.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner