



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 10-0273209

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THE APPLICATION OF SAMSON LONE STAR, LLC TO AMEND FIELD RULE NO. 2  
AND ADOPT FIELD RULE NO. 5 FOR THE MILLS RANCH (GRANITE WASH CONS.)  
FIELD, WHEELER COUNTY, TEXAS

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

DATE OF HEARING: December 5, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

James M. Clark

Samson Lone Star, LLC

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Field Rules for the Mills Ranch (Granite Wash Cons.) Field were originally adopted in Final Order No. 10-0261739, effective February 23, 2010, as amended. The Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 10,297 feet to 11,512 feet as shown on the log of the Sanguine Gas Exploration, LLC - Sallie Lease, Well No. 505 (API No. 42-483-32819);
2. 467'-0' well spacing with special provisions for "take points" and an "off-lease" penetration point for horizontal drainhole wells;
3. 160 acre units with optional 20 acre density;
4. Allocation based on 95% acreage and 5% deliverability with AOF status.



Samson Lone Star, LLC ("Samson") requests that Field Rule No. 2 be amended to provide for 200' leaseline spacing for the first and last take points and a 47 foot "box" rule for horizontal drainhole wells. Samson also requests that Field Rule No. 5 be adopted to provide for "stacked laterals" for horizontal drainhole wells and that the allocation formula remain suspended.

The application was unopposed and the examiners recommend that Field Rule No. 2 be amended and Field Rule No. 5 be adopted for the Mills Ranch (Granite Wash Cons.) Field, as proposed by Samson.

### **DISCUSSION OF EVIDENCE**

The Mills Ranch (Granite Wash Cons.) Field was created in February 2010 by the consolidation of the Mills Ranch (Granite Wash) and Mills Ranch (Granite Wash, K.C.) Fields. The field has an average depth of 11,500 feet and is classified as associated-100% AOF. There are 43 producing oil wells, 5 producing gas wells and five operators carried on the proration schedules. The field operates under Field Rules that provide for a designated interval, 467'-0' well spacing with special provisions for "take points" and an "off-lease" penetration point for horizontal drainhole wells and 160 acre units with optional 20 acre density. The allocation formula is currently suspended. Cumulative production from the consolidated field through October 2011 is 2.2 MMBO and 11.5 BCFG.

Samson is proposing to drill additional horizontal wells and requests that Field Rule No. 2 be amended to provide for 200' leaseline spacing for the first and last take points and a 47 foot "box" rule for horizontal drainhole wells. Samson argues that the proposed rule is necessary to promote the efficient and effective development of the field and allow the recovery of additional oil and gas reserves. Similar horizontal drainhole well rules have already been adopted in six Granite Wash fields in the area.

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 also requests that a Field Rule be adopted to accommodate the drilling of stacked horizontal lateral wells. The gross thickness of the Granite Wash interval is over 1,300 feet. Samson believes that several separate laterals may be necessary to effectively develop the reservoir with horizontal wells. The rule would 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. It is proposed that a stacked lateral be defined to be multiple horizontal drainholes which are drilled from different surface locations.

The allocation formula is currently suspended and Samson requests that it 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 Mills Ranch (Granite Wash Cons.) Field was created in February 2010 by the consolidation of the Mills Ranch (Granite Wash) and Mills Ranch (Granite Wash, K.C.) Fields.
  - a. The field has an average depth of 11,500 feet and is classified as associated-100% AOF.
  - b. There are 43 producing oil wells, 5 producing gas wells and five operators carried on the proration schedules.
  - c. The field operates under Field Rules that provide for a designated interval, 467'-0' well spacing and 160 acre units with optional 20 acre density.
  - d. The allocation formula is currently suspended.
3. The Mills Ranch (Granite Wash Cons.) Field is actively being developed with horizontal drainhole wells.
4. Field Rules that provide special provisions for 200' lease line spacing for the first and last take points, a 47 foot "box" rule for horizontal drainhole wells and "stacked laterals" for horizontal wells will promote the efficient and effective development of the field and allow the recovery of additional oil and gas reserves.
5. The proposed 47 foot "box" rule is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
6. 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.
7. Similar horizontal drainhole well rules have already been adopted in six Granite Wash fields in the area.

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 No. 2 and adopting Field Rule No. 5 for the Mills 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 examiners recommend that the Commission amend Field Rule No. 2 and adopt Field Rule No. 5 for the Mills Ranch (Granite Wash Cons.) Field, as proposed by Samson Lone Star, LLC.

Respectfully submitted,

  
Richard D. Atkins, P.E.  
Technical Examiner

  
Michael Crnich  
Legal Examiner