

THE APPLICATION OF COMSTOCK OIL & GAS, LP TO AMEND THE FIELD RULES FOR THE WOODLAWN (COTTON VALLEY) FIELD, HARRISON AND MARION COUNTIES, TEXAS

Heard by: Donna K. Chandler on April 22, 2008

Appearances:

David Gross
Rick Johnston

Representing:

Comstock Oil & Gas, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Woodlawn (Cotton Valley) Field are summarized as follows:

1. Designation of the field as the correlative interval from 8,370 feet to 9,980 feet as shown on the log of the Slaughter Gas Unit "B" Well No. 2;
2. 467'-600' well spacing;
3. 640 acre gas units with optional 80 acre units;
4. Allocation based on 95% deliverability and 5% per well.

Comstock requests that the rules be amended to include a special provision that distance to lease lines be based on the closest "take point" in a horizontal well, instead of the penetration point and terminus, as defined by Statewide Rule 86.

Additionally, it was proposed that the correlative interval for the field be expanded. This issue was not included in the Notice of Hearing. Subsequent to the hearing, all operators in the field were notified of this proposed change and no objections were received. The proposed expanded correlative interval in the field is as follows:

1. Designation of the field as the correlative interval from 8,345 feet to 11,685 feet as shown on the log of the Davis Gas Unit "A" Well No. 2.

The examiner recommends that the field rules for the Woodlawn (Cotton Valley) Field be amended as proposed by Comstock.

DISCUSSION OF EVIDENCE

The Woodlawn (Cotton Valley) Field was discovered in 1965. The field is an associated gas field with approximately 175 wells. The allocation formula is currently suspended.

Operators are currently developing the field with horizontal wellbores. Completion methods involve setting intermediate casing into the correlative interval for the field. The horizontal portion of the well is then drilled and stimulated in stages using open-hole packers at various locations. This method optimizes the success of fracture stimulation throughout the open-hole horizontal interval.

Comstock requests that a field rule be adopted which includes language relevant to measurement of distances to lease lines. Comstock's proposed rule specifies that, for purposes of lease line spacing, the nearest "take point" in a horizontal well be used. This take-point could be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased well. Similar rules have been adopted in other tight reservoirs, including the Barnett Shale and other Cotton Valley fields. However, horizontal wells in those fields are typically cased and cemented, or external casing packers are used. In this Cotton Valley field, the horizontal sections are open-hole.

The proposed rule would allow operators to drill horizontal wells with penetration points, as defined by Rule 86, at distances closer than 467 feet to a lease line, as long as no take-point is closer than 467 feet to any lease line. Horizontal drainhole length on a lease is then maximized, resulting in additional recovery of gas.

For purposes of assignment of additional acreage pursuant to Rule 86, Comstock proposes the distance between the first and last take-point in a horizontal well be used.

Valence Operating Company requested that the field correlative interval be expanded. Valence requests that the entire correlative interval from 8,345 feet to 11,685 feet in the log of the Pan American Petroleum Corporation Davis Gas Unit "A" Well No. 2 be designated as a single reservoir for proration purposes and be designated as the Woodlawn (Cotton Valley) Field. This interval expansion has recently been accomplished in the Waskom (Cotton Valley) Field and includes the Cotton Valley Sand, Bossier Shale, and Haynesville equivalent. This expansion will allow operators to complete in all intervals in a single completion. Typically, when the Bossier is completed in the area, the field designation is the Carthage, North (Bossier Shale) Field. The field expansion will eliminate the need for separate field designations and Rule 10 exceptions.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. Field rules for the Woodlawn (Cotton Valley) Field provide for a designated interval, 467'-600' well spacing and 640 acre gas units with optional 80 acre units.
3. The Woodlawn (Cotton Valley) Field was discovered in 1965. The field is an associated gas field with approximately 175 wells.
4. A spacing rule which utilizes "take-points" in a horizontal well for determination of distances to lease lines will prevent waste and will not harm correlative rights.
 - a. Current completion methods involve setting intermediate casing into the correlative interval for the field. The horizontal portion of the well is then drilled and stimulated in stages using external casing packers at various locations.
 - b. This completion method optimizes the success of fracture stimulation throughout the open-hole horizontal interval.
 - c. The Cotton Valley is a tight formation and is not commercially productive unless fracture-stimulated.
 - d. A take-point in a horizontal well in this field may be a perforation, if a horizontal well is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased portion of the wellbore.
 - e. Adoption of the proposed rule would allow operators to drill horizontal wells with penetration points, as defined by Rule 86, at distances closer than 467 feet to a lease line, as long as no take-point is closer than 467 feet to any lease line.
 - f. Adoption of the proposed rule will allow the horizontal drainhole length on a lease to be maximized.
5. For purposes of assignment of additional acreage pursuant to Rule 86, the distance between the first and last take-point in a horizontal well should be used.
6. The Woodlawn (Cotton Valley) Field should be defined as the correlative interval from 8,345 feet to 11,685 feet as shown on the log of the Davis Gas Unit "A" Well No. 2. This interval includes the Cotton Valley Sand, Bossier

Shale, and Haynesville equivalent and is similar to the field designation for other Cotton Valley fields in the area.

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 the field rules for the Woodlawn (Cotton Valley) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission amend the field rules for the Woodlawn (Cotton Valley) Field as proposed by Comstock Oil & Gas, LP.

Respectfully submitted,

Donna K. Chandler
Technical Examiner