#### OIL AND GAS DOCKET NO. 06-0242219

THE APPLICATION OF PEGASI ENERGY RESOURCES CORP. TO CONSOLIDATE THE RODESSA (COTTON VALLEY) AND RODESSA (TRAVIS PEAK LOWER) FIELDS INTO THE RODESSA (COTTON VALLEY CONS.) FIELD, MARION COUNTY, TEXAS

**Heard by:** Donna K. Chandler on April 29, 2005

Appearances: Representing:

George Neale Wagner & Brown, Ltd. Rick Johnston

# EXAMINER'S REPORT AND RECOMMENDATION STATEMENT OF THE CASE

Pegasi Energy Resources Corp. requests that the Rodessa (Travis Peak Lower) and Rodessa (Cotton Valley) Fields be consolidated into a new field called the Rodessa (Cotton Valley Cons.) Field. Pegasi also requests that the following rules be adopted for the consolidated field:

- 1. Designated interval from 7,685 feet to 9,880 feet as shown on the log of the Huntington No. 1;
- 2. Allocation based 95% deliverability and 5% per well for oil and gas wells.

### DISCUSSION OF THE EVIDENCE

The Rodessa (Travis Peak Lower) Field was discovered in December 2004. The discovery well for the field was the Cromer No. 8 operated by Nadel and Gussman, LLC. The well is perforated in two intervals of the Travis Peak between 7,960 and 7,976 feet. This well is classified as an oil well and there are no other wells in the field. The field operates under Statewide Rules.

The Rodessa (Cotton Valley) Field is an associated field which was discovered in 1979. This field also operates under Statewide Rules and there are four producing oil wells and two producing gas wells in the field. The top of the Cotton Valley occurs at approximately 8,150 feet in this area and the gross thickness is about 1,700 feet.

The Lower Travis Peak interval in the Cromer No. 8 at 7,960 feet is the only Travis Peak field at this depth in the area. All other Travis Peak fields produce from shallower intervals.

Pegasi wants to combine the Lower Travis Peak and the Cotton Valley into a single field to maximize reserves from both fields. All of the wells classified as oil wells are either on pump or gas lift and produce less than 20 BOPD. If any crossflow occurs between the zones, there will be no reservoir damage. Cotton Valley and Travis Peak intervals have previously been combined, through Rule 10 exceptions or field consolidations.

Because the consolidated field interval contains multiple productive horizons, a two factor allocation formula is required by statute. Pegasi suggests that allocation for both oil and gas wells be based on 95% deliverability and 5% per well.

## **FINDINGS OF FACT**

- 1. Notice of this hearing was given to all persons legally entitled to notice at least ten days prior to the date of hearing.
- 2. The Rodessa (Travis Peak Lower) Field was discovered in December 2004 at a depth of 7,960 feet. This well is the only well in the field and is classified as an oil well.
- 3. The Rodessa (Cotton Valley) Field is an associated field which was discovered in 1979 at a depth of approximately 8,150 feet.
- 4. Both fields operate under Statewide Rules.
- 5. Consolidation of the two fields into a single field will result in the maximum ultimate recovery from both fields.
- 6. Commingling of Cotton Valley and Travis Peak fields has previously been approved by the Commission.
- 7. The proposed designated interval between 7,685 feet to 9,880 feet as shown on the log of the Huntington No. 1 includes separate producing intervals.
- 8. Consolidation of the two fields will result in the recovery of additional reserves as it would not be economical to have separate completions in each zone.

9. Allocation based 95% deliverability and 5% per well is a reasonable formula which will protect correlative rights of mineral owners in the field and satisfy statutory requirements.

#### CONCLUSIONS OF LAW

- 1. Proper notice of this hearing was given to all persons legally entitled to notice.
- 2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
- 3. Consolidation of the fields as Pegasi Energy Resources Corp. is necessary to prevent waste and protect correlative rights.
- 4. The proposed field rules will prevent waste, protect correlative rights, and satisfy statutory requirements.

## **EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the Rodessa (Travis Peak Lower) and Rodessa (Cotton Valley) Fields be consolidated into the Rodessa (Cotton Valley Cons.) Field and that the requested field rules be adopted for the consolidated field.

Respectfully submitted,

Donna K. Chandler Technical Hearings Examiner