



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0298879

THE APPLICATION OF SAMSON EXPLORATION, LLC TO CONSIDER AN EXCEPTION TO FIELD RULE 5 FOR THE PHANTOM (WOLFCAMP) FIELD AND/OR AN EXCEPTION TO STATEWIDE RULE 13 FOR THE BAILEY LEASE, WELL NO. 2H, REEVES COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
John Dodson – Administrative Law Judge

REVIEWED BY: Dana Avant Lewis – Administrative Law Judge

HEARING DATE: January 20, 2016

RECORD CLOSED: September 31, 2016

CONFERENCE DATE: October 11, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT: Samson Exploration, LLC
Mickey Olmstead
James M. Clark
Ryan Heatly

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Samson Exploration, LLC, (Samson) is requesting a indefinite temporary exception to Field Rule No.5 for the Phantom (Wolfcamp) Field and to Statewide Rule 13 (SWR 13) for the Bailey Lease, Well No. 2H, Reeves County, Texas. This application was unprotested and the Technical Examiner and the Administrative Law Judge (collectively the Examiners) recommend that the application be approved as amended.

DISCUSSION OF THE EVIDENCE

Samson initially requested an indefinite temporary exception to the requirements to run tubing in producing oil wells contained in Field Rule No. 5 for the Phantom (Wolfcamp) Field, and the tubing requirements in SWR 13 for the Bailey Lease, Well No. 2H until the casing pressure drops to 50 psi or less before installing tubing. However, Samson does not consider a 6 month exception to be adverse.

The Phantom (Wolfcamp) Field was discovered in 1983 by initially drilling vertical wells in the Bone Springs formation. The average depth of the field is 11,002 feet. The majority of the wells are horizontal wells. The Phantom (Wolfcamp) Field is undergoing rapid horizontal well development. All the horizontal wells will require fracturing to be productive. It typically takes 1 to 7 days to reach initial oil, 3 to 76 days to reach peak oil and 42 to 146 days for the flowing casing pressure to drop below 300 psig. Initial flowing pressures are as high as 4,000 psi. Since snubbing operations have inherent safety risks and high costs, once surface pressures are manageable, usually less than 300 psi, the tubing can be installed.¹

Statewide Rule 13(b)(5)(A) requires flowing oil wells to be produced through tubing and the rule does not explicitly allow for exceptions. Without an exception to this rule, the 2H Well will be required to be snubbed to run in tubing, run wire line pre-set packers or rapidly deplete or kill the well. Samson fears that killing a well may permanently damage the well's completion, as frac fluid will remain in the reservoir and may negatively impact the long term production characteristics of the well. In addition, rapid depletion of reservoir pressure has been shown to cause damage to wells by destabilizing frac proppant and shortening propped frac wings, which will reduce a well's ultimate recovery. An additional six month exception is needed, as wells in the Phantom (Wolfcamp) Field perform better on restricted choke sizes, resulting in longer flowback periods to clean up.

FIELD RULE No. 5 set out in the Final Order 08-0290788 states: A flowing oil well will be granted administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 13(b)(5)(a) exceptions, a six month exception to Statewide Rule 13(b)(5)(a) regarding the requirement of having to be produced through tubing. For good cause shown, an operator may obtain administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 13(b)(5)(a) exceptions, an extension for an additional three months. If the request for an extension of time is denied, the operator may request a hearing.²

¹ Samson Exhibit No. 1.

² Samson Exhibit No. 2, Final Order 08-0290788.

The Bailey 2H Well (2H Well) was completed on 04/05/2015. During the 04/15/2015 24 hour initial potential test, the 2H Well produced 1,238 bbls of oil, 1,496 mcf of gas with a GOR of 1,208. The well also produced 3,834 bbls of water and the casing pressure was 2,171 psi. Due to the high casing pressure, Samson received a six month administrative tubing exception for the 2H Well on 11/13/2014³. Field Rule No. 5 states that for good cause shown, an operator may obtain administratively, an extension for an additional three months (90 days). Due to the casing pressure still being over 300 psi Samson received an additional 90 day extension on 10/13/2015. On 10/04/2015 Samson requested a hearing for a six month extension beyond the 270 day administrative period. As of 1/10/2016, casing pressure in the 2H Well was 566 psi.⁴

EXAMINERS OPINION

The Examiners recommend that Samson Exploration, LLC's application for an six month extension of the tubing installation rule in Statewide Rule 13(b)(5)(A) and Field Rule No. 5 for the Bailey 2H Well, in the Phantom (Wolfcamp) Field, Reeves County be approved.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Phantom (Wolfcamp) Field was discovered in 1983 by initially drilling vertical wells in the Bone Springs formation. The average depth of the field is 11,002 feet.
3. The Phantom (Wolfcamp) Field is undergoing rapid horizontal development, The Phantom (Wolfcamp) Field was discovered in 1983 by initially drilling vertical wells The average depth of the field is 11,002 feet.
4. The horizontal wells will require fracturing to be productive.
 - a. There are technical difficulties associated with installing tubing prior to fracture stimulation and flow back of the load water.
 - b. Since snubbing operations have inherent safety risks and high costs, once surface pressures are manageable, usually less than 300 psi, the tubing can be installed.

³ Samson Exhibit No.8.

⁴ Samson Exhibit No.9.

- c. It typically takes 2 to 8 months for wells to recover load water and establish production representing stabilized flow of native reservoir fluids. The average time for a typical well to recover its load water is about four months.
5. Statewide Rule 13(b)(5)(A) requires flowing oil wells to be produced through tubing. Currently, the rule does not explicitly allow for exceptions.
6. Field Rule No. 5 for the Phantom (Wolfcamp) Field in Reeves County states: For good cause shown, an operator may obtain administratively, an extension for an additional three months, (90 days) beyond the six month administrative exception.
7. Samson has received the maximum 270 day administrative exception to Statewide Rule 13(b)(5)(A) and Field Rule No. 5 for the Bailey 2H Well.
8. On 10/04/2015 Samson requested a hearing for a six month extension beyond the 270 day administrative period.
9. As of 1/10/2016, casing pressure in the 2H Well was 566 psi.
10. Without an exception to these rules, the Bailey 2H Well will be required to be rapidly depleted or killed to install tubing.

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. Granting a six month exception to Statewide Rule 13(b)(5)(A) and Field Rule No. 5 for the Bailey 2H Well will prevent waste, protect correlative rights and promote the orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the Examiners recommend that Samson Exploration, LLC's application for an six month exception to Field Rule No. 5 of the Field Rules for the Bailey 2H Well and State Wide Rule 13 be approved as requested by Samson Exploration LLC.

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'Richard Eyster', written in a cursive style.

Richard Eyster, P.G.
Technical Examiner

A handwritten signature in blue ink, appearing to be 'Dana Avant Lewis', written in a cursive style.

Dana Avant Lewis
Administrative Law Judge