

OIL AND GAS DOCKET NO. 05-0229108

THE APPLICATION OF XTO ENERGY TO CONSOLIDATE THE FARRAR (COTTON VALLEY SAND) FIELD INTO THE FARRAR (COTTON VALLEY LIME) FIELD AND TO AMEND OPERATING RULES AND REGULATIONS FOR THE FARRAR (COTTON VALLEY LIME) FIELD, FREESTONE AND LIMESTONE COUNTIES, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: July 31, 2001

Hearing held: August 20, 2001

Appearances

Rick Johnston	Representing XTO Energy
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EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

XTO Energy is seeking to have the Farrar (Cotton Valley Sand) Field consolidated into the Farrar (Cotton Valley Lime) Field, and to amend the rule to provide for a designated interval from 10,200 to 13,488 feet as shown on the log of the Herd Producing Standley Well No. 2 (now the XTO Energy Standley GU 2 Well No. 2).

The Farrar (Cotton Valley Lime) Field rules were adopted May 7, 1979, under Docket No. 5-72,327, as amended, and are summarized as follows:

1. Designated interval from 13,146 feet to 13,488 feet as shown on the log of the Herd Producing Company, Inc., Standley Lease, Well No. 2; and
2. allocation based on 95% on deliverability and 5% per well.

The Farrar (Cotton Valley Sand) Field was formed by the consolidation of the Farrar, N. (Bossier Sand); Farrar, N. (Cotton Valley Sand); Farrar, SE (Cotton Valley Sand); and Farrar, SE. (Bossier Sand A) Fields, under Oil & Gas Docket No. 05-0224105, effective April 25, 2000. Rules for this consolidated field are summarized as follows:

1. Designated interval from 10,466 to 12,440 feet as shown on the log of the Herd Producing Company, Inc., Reed Gas Unit No. 1 Lease, Well No. 2; and
2. allocation based 95% on deliverability and 5% per well.

DISCUSSION OF THE EVIDENCE

XTO operates all seven wells in the Farrar (Cotton Valley Sand), and eleven of the twelve wells in the Farrar (Cotton Valley Lime) Field. Marathon Oil Company operates the twelfth well in the Farrar

(Cotton Valley Lime) Field and its well has a deliverability of only 99 MCF/D.

The first well in the Farrar (Cotton Valley Lime) Field was drilled in 1977, as was the first well in the fields that were consolidated into the Farrar (Cotton Valley Sand) Field. The designated interval for the Cotton Valley lime extends from 13,146 feet to 13,488 feet as shown on the log of the Herd Producing Standley Well No. 2. The proposed application will raise the top of the correlative interval to the top of the Cotton Valley sand at 10,200 feet in the same well. There have already been at least two wells commingled in the Farrar (Cotton Valley Sand) and (Cotton Valley Lime) Fields.

Only five wells in the Farrar (Cotton Valley Lime) Field are still active and two of those have deliverabilities less than 100 MCF/D. The average deliverability of the other three wells is 224 MCF/D. Eight of the wells in the Farrar (Cotton Valley Sand) Field have deliverabilities less than 100 MCF/D while two wells have deliverabilities of 2390 MCF/D and 1478 MCF/D respectively. The applicant intends to develop the area further by recompleting older wells and by drilling new wells.

There are multiple reservoirs included within the new proposed designated interval, and a two factor allocation formula is necessary. The formula based 5% per well and 95% on deliverability is the same as the existing rule for both fields and will satisfy statutory requirements. The allocation formula is suspended in both fields and XTO requests that the allocation formula for the Farrar (Cotton Valley Lime) Field remain suspended after the consolidation. Marathon's well has a deliverability below 100 MCF/D and would not be affected by any allocation formula or its suspension. XTO also requests that the wells in the Farrar (Cotton Valley Sand) Field be transferred to the Farrar (Cotton Valley Lime) Field without new drilling permits.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators of wells in the fields to be consolidated on August 8, 2001.
2. Both the Cotton Valley limestone and sandstone fields in the Farrar area were first developed in 1977.
3. None of the five active wells in the Farrar (Cotton Valley Lime) Field has a deliverability over 350 MCF/D.
4. Two wells in the Farrar (Cotton Valley Sand) Field have deliverabilities of 2390 MCF/D and 1478 MCF/D respectively. None of the remaining ten wells has a current deliverability over 300 MCF/D.
5. As production in the Cotton Valley lime wells and most of the Cotton Valley sand wells is now marginal consolidation of these two fields will promote further development of the Cotton Valley Formation in the Farrar field area.
6. At least two wells have already been downhole commingled in the Farrar (Cotton Valley Sand) and (Cotton Valley Lime) Fields.
7. The field rules for the Farrar (Cotton Valley Sand) Field, adopted April 25, 2000, under Oil & Gas Docket No. 05-0224105, should be rescinded when this field is consolidated into the Farrar

(Cotton Valley Lime) Field.

8. The field rules for the Farrar (Cotton Valley Lime) Field, adopted May 7, 1979, under Oil & Gas Docket No. 5-70,327, should be amended to provide for an expended designated interval extending from the top of the Cotton Valley Sand at 10,200 feet to the base of the underlying Cotton Valley Lime at 13,488 feet as shown on the log of the Herd Producing Company Standley Well No. 2.
9. This designated interval includes multiple, stratigraphic reservoirs and a two factor allocation is required for statutory reasons.
10. The current allocation formula in both fields is based 5% per well and 95% on deliverability, and will satisfy statutory requirements.
11. The allocation formula for both fields is now suspended, and the only well in either field that is not operated by XTO Energy has a deliverability of less than 100 MCF/D.
12. The following wells are in the Farrar (Cotton Valley Sand) Field and will be transferred to the Farrar (Cotton Valley Lime) Field:

<u>WELL</u>	<u>GAS WELL NUMBER</u>
Marathon Oil Company Tumlinson "A" Well No. 1	137210

<u>WELL</u>	<u>GAS WELL NUMBER</u>
XTO Energy	
Gibson Well No. 1	072206
Shorter, M.E. Well No. 1	084331
Thompson, B.W. Well No. 1	100686
Lyons Gas Unit No. 1 Well No. 1	142066
Reed Gas Unit No. 1 Well No. 2	167768
Shaw Gas Unit No. 1 Well No. 1	167188
Triple H Ranch Gas Unit No. 1 Well No. 3	167190
Triple H Ranch Gas Unit No. 1 Well No. 3	167752
Standley Gas Unit No. 2, Well No. 3	167802
Lyons Gas Unit No. 1, Well No. 7	176493
Oakes-Turner Gas Unit No. 1, Well No. 3	180517

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. Consolidation of the requested fields will prevent waste and protect correlative rights, while

encouraging conservation.

4. The requested amended field rules for the remaining field, the Farrar (Cotton Valley Lime) Field, will prevent waste, protect correlative rights within the field, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Farrar, (Cotton Valley Sand) Field be consolidated into the Farrar (Cotton Valley Lime) Field. The existing designated interval rule for the Farrar (Cotton Valley Lime) Field should be amended to include the expanded interval. The allocation formula should remain unchanged and suspended.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: September 20, 2001