

THE APPLICATION OF EL PASO E & P COMPANY, LP TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 10 FOR THE VIPER 2 LEASE, WELL NO. 2, IN THE MINDEN (TRAVIS PEAK CONS.) AND MINDEN (COTTON VALLEY CONS.) FIELDS, RUSK COUNTY, TEXAS

Heard by: Richard D. Atkins, P.E. - Technical Examiner

Hearing Date: July 11, 2008

Appearances:

Representing:

George C. Neale
Cary McGregor

El Paso E & P Company, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

El Paso E & P Company, LP requests an exception to Statewide Rule 10 to downhole commingle production from the Minden (Travis Peak Cons.) and Minden (Cotton Valley Cons.) Fields in its Viper 2 Lease, Well No. 2. A hearing was required because the royalty and working interests in the two fields are not identical.

All non-identical owners were notified of this hearing and no protests were entered. The examiner recommends approval of the exception and proposed allocation method.

DISCUSSION OF EVIDENCE

On September 12, 2006, the Commission approved exception to Statewide Rule 10 for all wells operated by El Paso E & P Company, LP for the Minden (Cotton Valley Cons.) and Minden (Travis Peak Cons.) Fields. This action was taken in Docket No. 06-0247946. The Viper 2 Lease, Well No. 2, could not be downhole commingled under this authority due to differences in ownership of the two fields.

The Viper 2 Lease, Well No. 2, was completed in the Minden (Cotton Valley Cons.) Field in April 2005 with perforations between 9,427 feet and 10,652 feet (MD). In February 2008, a bridge plug was set at 7,590 feet and the Minden (Travis Peak Cons.) Field was perforated between 7,388 and 7,460 feet (MD).

In October 2008, the bridge plug was removed and 2 3/8" tubing was run with a packer set at 8,015 feet (MD). A sliding sleeve was opened at 7,375 feet (MD) to commingle the two fields. Combined production from the well is 400-500 MCFGPD. El Paso requests that production from the well be allocated to the two fields based on the

Cotton Valley gas production forecast and condensate yield. Prior to commingling the two fields, the Cotton Valley was producing approximately 100 MCFGPD and the condensate yield was 1.45 BC per MMCFG. The remaining production will be assigned to the Travis Peak. This will result in allocating 25.7% of the gas production to the Cotton Valley field and 74.3% of the gas production to the Travis Peak field.

Commingling the two fields will maximize recovery from the well. Many Rule 10 exceptions have been granted by the Commission for these two fields. It is expected that the Cotton Valley production will aid in lifting liquids produced from the Travis Peak.

There are various non-identical interests owners in the Viper 2 Lease, Well No. 2. Notice of this hearing was sent to all offsetting operators and all non-identical interest owners. Notice was also published in the *Henderson Daily News*, a newspaper of general circulation in Rusk County, on June 9, 16, 23 and 30, 2008.

FINDINGS OF FACT

1. Notice of this hearing was given to all affected persons at least ten days prior to the date of hearing. Notice was also published in the *Henderson Daily News*, a newspaper of general circulation in Rusk County, on June 9, 16, 23 and 30, 2008. No protests were received.
2. El Paso E & P Company, LP completed the Viper 2 Lease, Well No. 2, in the Minden (Cotton Valley Cons.) Field in April 2005. In February 2008, the well was recompleted to the Minden (Travis Peak Cons.) Field.
3. In October 2008, the bridge plug was removed and 2 3/8" tubing was run with a packer set at 8,015 feet (MD). A sliding sleeve was opened at 7,375 feet (MD) to commingle the two fields.
4. Commingled production from the well is 400-500 MCFGPD.
5. In Docket No. 06-0247946, the Commission authorized downhole commingling of the Minden (Cotton Valley Cons.) Field and the Minden (Travis Peak Cons.) Field for all wells operated by El Paso.
6. There are non-identical interest owners in the Minden (Travis Peak Cons.) Field and the Minden (Cotton Valley Cons.) Field.
7. The wellbore is a permitted regular location in both fields.
8. El Paso's proposed method of allocating production to the two zones is reasonable.
 - a. Production from the well will be allocated to the two fields based on

the Cotton Valley gas production forecast and condensate yield.

- b. Prior to commingling the two fields, the Cotton Valley was producing approximately 100 MCFGPD and the condensate yield was 1.45 BC per MMCFG. The remaining production will be assigned to the Travis Peak.
- c. This will result in allocating 25.7% of the gas production to the Cotton Valley field and 74.3% of the gas production to the Travis Peak 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. Approval of the requested Rule 10 exception is necessary to prevent waste and will not harm correlative rights of mineral owners in the well.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that a Rule 10 exception be approved for the Viper 2 Lease, Well No. 2, in the Minden (Travis Peak Cons.) and Minden (Cotton Valley Cons.) Fields.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner