

OIL AND GAS DOCKET NO. 10-0248215

THE APPLICATION OF FOREST OIL CORPORATION TO CONSIDER SEVERANCE TAX INCENTIVE CERTIFICATION FOR VARIOUS WELLS, WHEELER AND HEMPHILL COUNTIES, TEXAS

Heard by: Donna Chandler, Technical Examiner

Hearing Date: August 16, 2006

Appearances:

Doug Dashiell
Charles Salmon

Representing:

Forest Oil Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Forest Oil Corporation requests that Severance Tax Incentive Certifications be approved for the following wells:

Helton No. 3060 (211393)	Buffalo Wallow (Granite Wash) Field
Irene Dixon No. 2048 (211807)	Buffalo Wallow (Granite Wash) Field
Frye No. 10-12 (210593)	Frye Ranch (Granite Wash A) Field

The Commission has previously approved high cost gas certifications for these wells at the administrative level. However, limitations on the perforated intervals in the wells were included in the approval. Upon further review, Forest believes that all perforations in the three wells qualify for high cost gas certification.

This application was unopposed and the examiner recommends approval of the requested certifications.

DISCUSSION OF THE EVIDENCE

On December 28, 2005, the Commission administratively approved High Cost Gas Tax Exemption Certification for the Irene Dixon No. 2048 in the Buffalo Wallow (Granite

Wash) Field. The approval specifies that perforations above 11,149 do not qualify for exemption. The well has four sets of perforations in the Granite Wash: 11,006-11,149 feet, 11,240-11,620 feet, 11,759-12,155 feet, 12,244-12,734 feet.

On March 9, 2006, the Commission administratively approved High Cost Gas Tax Exemption Certification for the Helton No. 3060 in the Buffalo Wallow (Granite Wash) Field. The approval specifies that perforations below 13,594 do not qualify for exemption. The well has four sets of perforations in the Granite Wash: 11,190-11,632 feet, 11,697-12,195 feet, 12,252-12,980 feet, 13,030-13,658 feet.

On March 20, 2006, the Commission administratively approved High Cost Gas Tax Exemption Certification for the Frye No. 1012 in the Frye Ranch (Granite Wash A) Field. The approval specifies that perforations below 12,710 do not qualify for exemption. The well has four sets of perforations in the Granite Wash: 11,957-12,285 feet, 12,474-13,138 feet, 13,338-13,868 feet, 13,955-14,456 feet.

There is no question that the three wells are within the geographic area approved for tight gas in the Granite Wash in Docket No. 10-78,976 in 1982. The only issue is whether all perforations in the wells qualify. After the administrative determinations were made, Forest conducted a further study of the perforations in the wells.

The type log for the area which was approved in 1982 is for the Leslie Webb No. 1. This well is several miles to the northwest of the three subject wells. The interval approved as tight in the Leslie Webb No. 1 is from 9,664 feet, the base of the Des Moines, to 10,850 feet, which is the top of the Atoka Series in the well. The approved interval includes the entire Granite Wash, from the A-1 through the H member.

Forest submitted a cross-section including the Leslie Webb No. 1 and the three subject wells. The cross-section demonstrates that the Granite Wash thickens significantly moving southeast from the Leslie Webb No. 1. The Frye No. 1012 is the furthest of the three wells from the Leslie Webb No. 1. In the Frye No. 1012, the top of the Granite Wash is found at 11,710 feet, some 2,000 feet higher than in the type well. The No. 1012 well is drilled to about 14,600 feet and the well log indicates that the top of the Atoka Series was not penetrated. The gross thickness of the Granite Wash in the Leslie Webb No. 1 is 1,186 feet, while the gross thickness in the No. 1012 well is at least 2,900 feet. The cross-section demonstrates that all of the perforations in the three subject wells are within the Granite Wash and should qualify for severance tax exemption.

FINDINGS OF FACT

1. Proper notice of this hearing was issued at least ten days prior to the date of hearing.

2. On December 28, 2005, the Commission administratively approved High Cost Gas Tax Exemption Certification for the Irene Dixon No. 2048 in the Buffalo Wallow (Granite Wash) Field. The approval specifies that perforations above 11,149 do not qualify for exemption.
3. On March 9, 2006, the Commission administratively approved High Cost Gas Tax Exemption Certification for the Helton No. 3060 in the Buffalo Wallow (Granite Wash) Field. The approval specifies that perforations below 13,594 do not qualify for exemption.
4. On March 20, 2006, the Commission administratively approved High Cost Gas Tax Exemption Certification for the Frye No. 1012 in the Frye Ranch (Granite Wash A) Field. The approval specifies that perforations below 12,710 do not qualify for exemption.
5. All of the Granite Wash perforations in the subject three wells are within the approved designated tight formation.
 - a. The type log for the area which was approved in 1982 is for the Leslie Webb No. 1, which well is several miles to the northwest of the three subject wells.
 - b. The interval approved as tight in the Leslie Webb No. 1 is from 9,664 feet, the base of the Des Moines, to 10,850 feet, which is the top of the Atoka Series in the well.
 - c. The Granite Wash thickens significantly moving southeast from the Leslie Webb No. 1 and is at least 2,900 feet thick in the Frye No. 1012.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Production from all perforations in the Granite Wash in the subject three wells qualifies as high-cost gas pursuant to Statewide Rule 101.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiners recommend that the severance tax certification be approved for all production from the Granite Wash for the three subject wells, as set out in the attached Final Order.

Respectfully submitted,

Donna K. Chandler
Technical Examiner