

OIL AND GAS DOCKET NO. 06-0252808

THE APPLICATION OF DORADO OPERATING, INC. TO CONSIDER AN EXCEPTION TO STATEWIDE RULE 39 FOR ITS WILLIAMS GAS UNIT, BECKVILLE, NORTH (COTTON VALLEY) FIELD, PANOLA COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. Technical Examiner

Hearing Date: September 24, 2007

Appearances:

Representing:

George C. Neale
R. March McRuiz
Don Rhodes

Dorado Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Dorado Operating, Inc. requests an exception to Statewide Rule 39 for 656.34 non-contiguous acres in the Beckville, North (Cotton Valley) Field in Panola County.

This application was unopposed and the examiner recommends approval.

DISCUSSION OF EVIDENCE

The Williams Gas Unit currently consists of 579.34 acres in the Beckville, North (Cotton Valley) Field. This pooled unit has three wells drilled and completed, the No. 1, No. 2 and the No. 3. Dorado requests authority to include 77 non-contiguous acres with the Williams Gas Unit. The 77 acres is separated from the 579.34 acre Unit by approximately 1,700 feet.

The 77 acres is not likely to be fully developed currently. Adjacent unit tract holders are not interested in pooling the 77 acre tract to their units. The lessor of the 77 acre tract would like full development of his tract. By pooling the 77 non-contiguous acres with the Williams Gas Unit 16 wells may be drilled without Rule 38 exception instead of only 15 wells if the Rule 39 is not approved. Additionally, a cost savings of approximately \$37,500 will be realized by not having to set up a separate tank battery on the 77 acre tract. The

acreage is surrounded by production in the Cotton Valley and can therefore be considered to be productive in the Beckville, North (Cotton Valley) Field. Unless the Rule 39 exception is approved, the mineral owner of the 77 acres will likely not fully participate in production from the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all affected persons at least ten days prior to the date of hearing. No protests were received.
2. The Dorado Operating, Inc. - Williams Gas Unit pooled unit currently consists of 579.34 acres in the Beckville, North (Cotton Valley) Field.
3. This pooled unit has three wells drilled and completed, the No. 1, No. 2 and the No. 3.
4. Dorado holds the lease on 77 acres approximately 1,700 feet northeast of the Williams Gas Unit. Dorado has created a 40 acre proration unit within the 77 acre tract.
5. The 77 acres is not likely to be fully developed because of its location adjacent unit tract holders are not interested in pooling the tract to theirs.
6. The 77 acres is productive in the Beckville, North (Cotton Valley) Field based on the presence of other producing wells around the acreage.
7. Unless the Rule 39 exception is approved, the mineral owners beneath the 77 acres will likely not participate in production from the 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 subject application for Rule 39 exception will not harm correlative rights and will not cause waste.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission approve an exception to Rule 39 for the proposed 656.34 acre Williams Gas Unit in the Beckville, North (Cotton Valley) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner