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\* KEY ISSUES: Waste - Unusual Conditions \*  
\* Pinnacle Reef and \*  
\* Waterdrive \*  
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\* FINAL ORDER: RULE 37 EXCEPTION GRANTED \*  
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RULE 37 CASE NO. 0200030

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**THE APPLICATION OF FORTSON OIL COMPANY FOR AN EXCEPTION TO  
STATEWIDE RULE 37 FOR THE BILLS-POPNOE LEASE, WELL NO. 1, WILDCAT  
FIELD, SCURRY COUNTY, TEXAS**

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**APPEARANCES:**

**APPLICANT:**

Robert Grable (Attorney)  
Mike Mckee  
Brett Taylor

**REPRESENTING:**

Fortson Oil Company

**PROTESTANTS:**

S. W. Trevey

Pro Se

**PROPOSAL FOR DECISION**

**PROCEDURAL HISTORY**

<b>APPLICATION FILED:</b>	September 24, 1992
<b>NOTICE OF HEARING:</b>	November 13, 1992
<b>ORIGINAL HEARING DATE:</b>	January 8, 1993
<b>HEARING:</b>	April 1, 1993
<b>TRANSCRIPT DATE:</b>	May 14, 1993
<b>PFD CIRCULATED:</b>	May 21, 1993
<b>HEARD BY:</b>	Jim McDougal, Legal Division, Examiner Jeffrey T. Pender, Technical Examiner

**STATEMENT OF THE CASE**

Fortson Oil Company submitted a drilling application for the Bills-Popnoe Lease, Well No. 1, on September 24, 1992. The well is slated to be a 7500' test of a Canyon Lime reef in Scurry

County, Texas. The statewide spacing rule requiring 467' lease line spacing applies to this application. The proposed location is only 204' from the east line of the lease and requires an exception to Rule 37 spacing requirements. Mr. S. W. Trevey, an offset leased mineral interest owner, filed a protest to Fortson's application.

### **DISCUSSION OF THE EVIDENCE**

#### **APPLICANT'S EVIDENCE**

##### **Testimony of Mr. Brett Taylor, Land Manager, Fortson Oil Company**

Mr. Taylor presented evidence in support of Fortson's Motion to Strike the protest of Mr. Trevey. Mr. Taylor's testimony showed that a lease was granted to CPX Petroleum by the Treveys ("Trevey Lease"). The Trevey Lease is the lease which immediately offsets and abuts the Bills-Popnoe Lease to the east. The Trevey Lease was assigned to Fortson. Fortson elected to extend the lease for one year (until July 1993) by paying delay rentals.

Fortson claimed that, as a leased mineral interest owner, Mr. Trevey had no standing to protest Fortson's drilling application on the Bills-Popnoe Lease. Mr. Trevey holds a one-fifth (1/5) royalty in the Trevey lease. The adjacent Bills-Popnoe Lease is burdened by only a one-sixth (1/6) royalty interest.

The examiners overruled Fortson's Motion to Strike and granted Mr. Trevey party status.

##### **Testimony of Mr. Mike McKee, Geologist, Fortson Oil Company**

Exhibits were admitted showing the proposed location of the well and the 3D seismic shot point base map for the Bills-Popnoe Lease prospect. Mr. McKee also showed a migrated time structure map depicting the shape and location of the Canyon Lime reef on the Bills-Popnoe and Trevey Leases. He identified two potential follow-up drill sites on the Trevey Lease in addition to the preferred initial location on the Bills-Popnoe Lease. He testified that if the Bills-Popnoe Lease well could produce on the order of 100 BOPD, Fortson would offer to form a unit including 25% - 40% of the offsetting Trevey lease acreage. In addition, Fortson would probably test one or more of the identified potential drill sites on the Trevey Lease.

Mr. McKee calculates 1,344,000 BO in place and 403,000 BO recoverable from the entire reef structure. If Fortson is denied an exception to Rule 37 and is forced to drill the best regular location, there will be 52,000 BO left in the reef as attic oil according to Mr. McKee's testimony.

**PROTESTANT'S EVIDENCE**

Mr. Trevey did not put on a direct case. However, he did state that his only desire was to obtain his fair share of the production from the Bills-Popnoe Lease, Well No. 1.

**EXAMINERS' OPINION**

Exceptions to Statewide Rule 37 lease line spacing requirements may be granted when, because of unusual conditions on or under the tract, an exception is necessary to recover hydrocarbons which will go unrecovered if no exception is granted. 16 TEX. ADMIN. CODE §3.37(a)(1).

Fortson has shown that because the reservoir is a pinnacle reef and a water drive is the most probable source of primary production energy, there is only a limited area on the Bills-Popnoe Lease that a well could be drilled without leaving attic oil in the reef. This constitutes an unusual condition under the tract and justifies granting Fortson an exception to Statewide Rule 37 for their Fortson Oil Company, Bills-Popnoe Lease, Well No. 1.

**FINDINGS OF FACT**

1. Notice of hearing was served on each of the persons named on the certificate of service dated November 13, 1992 by depositing the same in the United States Mail, postage prepaid and properly addressed. Notice of hearing was also made by publishing a copy of the Commission's Notice of Hearing in the Snyder Daily News on October 14, 21, 28 and November 4, 1992.
2. Fortson Oil Company properly applied for a permit to drill Well No. 1 on the Bills-Popnoe Lease, Scurry County, Texas on September 24, 1992.
3. The applicable rules require 467' lease line spacing, 1200' between-well spacing and 40 acre density.
4. The proposed location is 204' to the nearest lease line.
5. Unusual underground conditions exist on the Bills-Popnoe Lease.
  - a.) A 3D seismic interpretation shows the presence of a Canyon Lime reef with its apex located near the proposed drill site on crossline #71, shot point #75.

- b.) Unless the reef is drained at its apex, oil will be left in the reef above the elevation at which the reef is penetrated by the well.
- 6. Unless the well is drilled at the requested location, there will be an ultimate loss of a substantial amount of oil. Drilling a well at the best regular location will leave an estimated 52,000 BO in the reef.
- 7. The specific location requested by Fortson Oil is necessary to prevent waste.

**CONCLUSIONS OF LAW**

- 1. Proper notice of hearing was timely given to all persons legally entitled to notice.
- 2. All things have occurred and have been done to give the Commission jurisdiction to decide this matter.
- 3. A well at the proposed location is a reasonable location that is necessary to recover a substantial amount of hydrocarbons which would otherwise not be recovered from the reservoir, thereby preventing waste.

**EXAMINERS' RECOMMENDATION**

The examiners recommend that the Commission grant Fortson Oil Company an exception to Statewide Rule 37 lease line spacing requirements and approve their proposed location 204' from the east line for the drilling of the Bill-Popnoe Lease, Well No. 1.

Respectfully submitted,

Jim McDougal  
Hearings Examiner

Jeffrey T. Pender  
Technical Examiner