

Rule 37 Case No. 0201027, Proposal for Decision, page 2

The target formations underlying the southeast corner of Applicant's lease are the crest of a Mississippian carbonate pinnacle reef structure dipping steeply to the northwest and southeast, and the associated Caddo limestone drape structure. Applicant believes that the fields are water-driven and that about 80,000 barrels of oil can be recovered from the proposed location on the crest of the reef, while only about 40,000 barrels of oil would be recovered by a regularly located well, with the remainder remaining updip, unable to be recovered by any existing or future well at a regular location, on or off the Davidson Lease.

Protestant appeared at the hearing but did not put on a case.

DISCUSSION OF THE EVIDENCE

Applicant testified without opposition that the target formations are water-driven. The well nearest to the proposed location is the Protestant's plugged and abandoned L.T. Burns Nick Brooks No. 1 Well on the eastern offsetting tract. The applied-for well is about 65 feet structurally high to the Burns well in the Mississippian, and about 30 feet structurally high to the Burns well in the Caddo. The Burns well produced from both the Mississippian and the Caddo.

Applicant introduced the log of the Nick Brooks No. 1 well and four seismic lines which clearly delineate the target formations. One of the lines is tied directly to the Nick Brooks No. 1 well.

Applicant estimated that the total recoverable oil in place in the target formations is about 80,000 barrels, and that the oil remaining after a regular location watered out would amount to 40,000 barrels. The proposed location is at the very pinnacle of the structure, where optimal recovery can take place.

EXAMINERS' OPINION

The examiners recommend granting the application. Unless the Applicant is granted the proposed location, about 40,000 barrels of oil will be suffer legal confiscation or physical waste.

PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

Findings of Fact

1. Notice of hearing was sent on February 10, 1993, to all designated operators, lessees of record for tracts having no designated operator, and owners of record of unleased mineral interests, for each adjacent tract and each tract nearer than 330 feet to Applicant's proposed well.

Rule 37 Case No. 0201027, Proposal for Decision, page 3

2. Applicant has applied on Form W-1 to drill Well No. 1 on its Davidson Lease at a location 330 feet from the south line of both the Davidson Lease and the T.F. & L. Co. Survey No. 286, Abstract No. A-533, and 230 feet from the east line of both the lease and the survey.
3. The target formations are a Mississippian pinnacle reef structure dipping steeply to the northwest and southeast from a crest partially under the Applicant's lease, and the corresponding Caddo limestone drape structure. The drive mechanism for the target formations is an active water drive.
4. Applicant would not drill the applied-for well to test the Wildcat.
5. A well at a regular location would penetrate the top of the Mississippian at a structural elevation of about minus 3730 feet. A well at the proposed location would penetrate the top of the Mississippian at about minus 3712 feet.
6. A well at a regular location would penetrate the top of the Caddo limestone at a structural elevation of about minus 2780 feet. A well at the proposed location would penetrate the top of the Caddo at about minus 2770 feet.
7. A well at a regular location will recover about 40,000 barrels of oil from the target formations.
8. A well at the proposed location will recover about 80,000 barrels from the target formations.
9. No other well at a regular location, whether on or off Applicant's tract, will be able to recover the 40,000 barrels left in place by a regularly located well.

Conclusions of Law

1. Timely and legally sufficient notice was given to all persons legally entitled thereto.
2. Applicant properly filed Railroad Commission Form W-1.
3. The Railroad Commission has jurisdiction over the Applicant, the Protestant, and the subject matter of the application.
4. The James D. Lindemann Davidson Lease is a 40 acre regular tract.
5. Applicant is entitled to an exception to Statewide Rule 37 to prevent confiscation and waste.
6. Approval of a permit to drill at the proposed location is necessary to give Applicant a reasonable opportunity to recover its fair share of the hydrocarbons underlying its lease and to avoid confiscation.

RECOMMENDATION

The examiners recommend granting of the application as set forth in the attached Final Order.

Respectfully submitted,

Willis C. Steed, P.E.
Director of Technical Hearings

Dwight Martin
Hearings Examiner