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*  KEY ISSUES: Denial
*              Regular locations not regated
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*  FINAL ORDER:  APPLICATION WITHDRAWN
*                CASE DISMISSED
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RULE 37 CASE NO. 0201708

APPLICATION OF MOOSE OIL & GAS COMPANY FOR AN EXCEPTION TO STATEWIDE RULE 37 FOR ITS WILLIAMS ET AL. LEASE, WELL NO. 1, WILDCAT VIENNA (FRIO 2520), VIENNA (FRIO 2750), VIENNA (FRIO 2970), VIENNA (FRIO 3000), VIENNA (FRIO 3250) AND VIENNA (FRIO 3300) FIELDS, LAVACA COUNTY, TEXAS

APPEARANCES:

For Applicant:

David Gross, attorney
Charles Leung
Stephen P. Hartzell

Applicant:

Moose Oil & Gas Company

For Protestants:

Tim George, attorney
John A. Walker

Protestant:

Goodrich Operating Co.

PROPOSAL FOR DECISION

PROCEDURAL HISTORY

Date of Notice of Hearing:	April 21, 1993
Date Case Heard:	June 2, 1993
Heard By:	Barbara Epstein, Hearings Examiner James M. Irwin, Jr., Technical Examiner
Transcript Date:	June 15, 1993
PFD Circulation Date:	July 27, 1993
Current Status:	Protested

STATEMENT OF THE CASE

Moose Oil & Gas Company, hereinafter referred to as Moose, has applied for a spacing exception for its Williams et al. Lease, Well No. 1, in the Wildcat Vienna (Frio 2520), Vienna (Frio 2750), Vienna (Frio 2970), Vienna (Frio 3000), Vienna (Frio 3250) and Vienna (Frio 3300) Fields, Lavaca County, Texas. The application is protested by Goodrich Operating Co., hereinafter referred to as Goodrich.

BACKGROUND

Moose seeks an exception to Statewide Rule 37 for six Wildcat zones in a target Frio sand reservoir. This exception is required because the proposed well will be located 50 feet from the southeast and northeast lease lines while field rules require 467' spacing.

DISCUSSION OF THE EVIDENCE

Moose proposes to drill a well in a Frio sand reservoir to encounter a number of Frio sand point bars that are thin and cover limited areas. Moose knows from its experience obtained by drilling over a hundred Frio sand wells that these reservoirs are active bottom water drive gas reservoirs with an average 20 feet sand thickness with 12 to 15 feet of gas above water.

Based on the seismic and area well control, Moose has mapped a large feature (described as a "bright spot"). Moose believes that a regular location would not encounter the proposed target zones because it would be 15 feet downdip, thin and possibly, wet. Moose contends that it is important to drill close to its seismic control line and as structurally high as possible to ensure encountering the reservoir. Moose also contends that the proposed exception is necessary to prevent waste, testifying that the nature of the point bars constitutes an unusual condition.

Goodrich owns an interest in all properties surrounding the applicant's tract. Goodrich believes that Moose failed to meet its burden of proof to show that an exception to Rule 37 is necessary. On cross-examination Moose's witness conceded that it does not have data to show that the target sand is absent at a regular location or that water would be encountered at the target depth. (Tr. p. 54)

Goodrich further argues that a regular location would be closer to the seismic line than the proposed location. Goodrich believes, based on Moose's data, that Moose would encounter the target zone at a regular location. (Tr. p. 50) Moose's witness admitted due to the rank wildcat nature of the target zone that it had not made a study of reserves under the tract. At the very least, Goodrich argues, Moose could drill a well at an alternate irregular location and be closer to the seismic line than the proposed location.

On questioning by the examiners, Moose's witness testified that the wells used as control are 50 miles southeast of the proposed well. Additionally, based on questions raised by Goodrich, the examiners questioned whether there was a disparity between the seismic lines on exhibits and Moose acknowledged that there was a drafting error on Exhibit No. 1. The examiners then asked Moose to late-file exhibits with identical linear scales for Exhibits #1 and #2. The examiners also requested a late-filed exhibit giving some volumetric estimates of reserves. Moose late-filed four exhibits that were accepted into the record. These exhibits confirmed the disparities discussed in the hearing.

Moose stated in its cover letter to the late-filed exhibits that it would not view as adverse a recommendation by the examiners of an alternate location 467' from the southwest lease line and 50' from the southeast lease line.

EXAMINERS' OPINION

The examiners believe that this application should be denied because the applicant failed to meet its burden of proof to show that a regular location will not afford it an opportunity to recover its share of hydrocarbons underlying its tract.

The examiners believe that there is insufficient well control and seismic data to negate a regular location. The data presented by Moose suggests that the same structure anticipated 50' from the southeast and southwest lease lines will be encountered at a regular location. Moose's reason for stating that it could not drill a well at a regular location is the suspicion that it will be wet. But there is no credible evidence to support this theory. In fact, Exhibit #9 indicates that a well drilled at a regular location would move updip and gain elevation for the prospective reservoirs. The seismic and mapping data presented support drilling a well at a regular location.

Based on the testimony presented at the hearing and the evidence admitted into the record, the examiners make the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. At least ten (10) days' notice was given to all affected operators, lessees with no designated operator and/or unleased mineral owners of each adjacent unleased tract.
2. The field rules for the Wildcat Vienna (Frio 2520), Vienna (Frio 2750), Vienna (Frio 2970), Vienna (Frio 3000), Vienna (Frio 3250) and Vienna (Frio 3300) Fields are:

467'/1200'
3. An exception to Statewide Rule 37 is necessary for the Williams Lease Well No. 1 because the proposed well will be located 50' from the southwest and southeast lease lines.

4. This application is protested by Goodrich Operating Co.
5. The applicant's target reservoir is a bottom water drive gas reservoir with an average of 20 feet of sand thickness with 12 to 15 feet of gas sand above water.
6. The area mapping and seismic data indicate that the applicant can drill a well at a regular location to recover the reserves underlying its tract.
7. Moose Oil & Gas Company's Exhibit No. 9 indicates that a well drilled at a regular location would move updip and gain elevation for the targeted reservoirs compared to the proposed location.

CONCLUSIONS OF LAW

1. A Railroad Commission Form W-1 was properly filed.
2. Proper notice was issued by the Railroad Commission to appropriate persons legally entitled to notice.
3. All things have been done or have occurred to give the Railroad Commission jurisdiction to decide this matter.
4. The applicant failed to meet its burden of proof that the proposed well is necessary to prevent confiscation or waste.

RECOMMENDATION

The examiners recommend that the above findings of fact and conclusions of law be adopted and that this exception to Statewide Rule 37 be **DENIED**.

Respectfully submitted,

Barbara Epstein
Hearings Examiner

James M. Irwin, P.E.
Technical Examiner