
* KEY ISSUES: Confiscation *
* Entitlement of a legal subdivision *
* to a first well on tract in subject field *
*
* FINAL ORDER: R37 EXCEPTION GRANTED *

OIL & GAS DOCKET No. 0201805
PROPOSAL FOR DECISION

AN APPLICATION BY M.E. OPERATING AND SERVICES, INC. FOR AN EXCEPTION
TO STATEWIDE RULE 37 FOR ITS PATTON LEASE WELL No. 2, IN THE WILDCAT,
MEEKER (STRAWN 2400), MEEKER (STRAWN 2400 N.E.), B.R.A. (STRAWN), SEVEN-
ELEVEN (STRAWN), AND MEEKER (2200) FIELDS, PARKER COUNTY, TEXAS

APPLICANT: M.E. Operating and Services, Inc.
FOR APPLICANT: Mark E. Smith

PROTESTANT: Yorek Oil & Gas, Inc.
FOR PROTESTANT: Dan Miller

HEARINGS EXAMINER: Dwight Martin
TECHNICAL EXAMINER: Willis C. Steed, P.E., Director of Technical Hearings

PROCEDURAL HISTORY

APPLICATION FILED: 4-12-93	TRANSCRIPT DATE: 6-25-93
HEARING NOTICE DATE: 5-14-93	PFD CIRCULATION DATE: 9-23-93
HEARING DATE: 6-23-93	CURRENT STATUS: Protested

STATEMENT OF THE CASE

The Patton Lease is a 19.388 acre tract located in Parker County; for each of the applied-for fields, the Patton Lease is either a standard tract on which the proposed well is regularly located, or a legal subdivision with no regular location. Applicant seeks an exception to Tex. R.R. Comm'n, 16 TEX. ADMIN. CODE § 3.37 (Statewide Rule 37) to prevent waste and confiscation, and proposes to drill Well No. 2 at a location 393 feet from the northerly west lease line and 467 feet from the east lease line, and 1463 feet from the southerly line and 467 feet from the east line of the E. Dean Survey, Abstract No. A-354. Proposed total depth is 2600 feet, with permits sought in the Wildcat, Meeker (Strawn 2400), Meeker (Strawn 2400 N.E.), B.R.A. (Strawn), Seven-Eleven (Strawn), and Meeker (2200) Fields. Field rules require a 660 foot lease-line spacing for the Meeker (2200) Field, 467 foot lease-line spacing for the Meeker (Strawn 2400) Field, and 330 or fewer feet of lease-line spacing for the remainder of the applied-for fields.

Protestant, operator of the eastern offset, 467 feet from the proposed location, appeared at the hearing but did not put on a direct case.

DISCUSSION OF THE EVIDENCE

The Patton Lease took its present size and shape on September 12, 1955, before the attachment of field rules for the Meeker (2200) and the Meeker (Strawn 2400) Fields; the Protestant concedes that the tract is a legal subdivision in those fields. The Patton No. 1 Well, located 194 feet away from the proposed location (and 167 feet closer to the Protestant than the proposed location), produces from a much deeper horizon, and has never been completed in any of the applied-for fields, nor has any other well ever drilled. A loss-of-circulation zone at about the minus 3000 foot level has frustrated other attempted upward recompletions in the area. The proposed well would, then, be the first completion on the Patton Lease in any of the applied-for fields.

At the hearing, Applicant did not present evidence on the Meeker (Strawn 2400) Field. Using log data from the No.1 Well, Applicant estimated 22 feet of net pay in the Meeker (2200) Field underlying the tract, and calculated from that estimate recoverable reserves under the tract of about 145 MMcf. The proposed location is in the approximate geometric center of the tract.

The mineral ownership of the Patton Lease is not identical to that of any nearby tract capable of draining the Patton Lease.

EXAMINERS' OPINION

The examiners recommend granting the application to prevent confiscation. Applicant's tract is a legal subdivision for the Meeker (2200) Field. The mineral ownership for the Patton Lease is not identical to that of any offsetting tracts, and the Patton Lease has never had a well in any of the applied-for fields. Thus, Applicant has established that it is entitled to a well to prevent

confiscation, and the proposed location is reasonable.

PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

Findings of Fact

1. Notice of hearing was sent on May 14, 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 660 feet to Applicant's proposed well.
2. Applicant has applied on Forms W-1 and W-1-A to drill Well No. 2 on its Patton Lease at a location 393 feet from the northerly west lease line and 467 feet from the east lease line, and 1463 feet from the southerly line and 467 feet from the east line of the E. Dean Survey, Abstract No. A-354. Proposed completion is in the Wildcat, Meeker (Strawn 2400), Meeker (Strawn 2400 N.E.), B.R.A. (Strawn), Seven-Eleven (Strawn), and Meeker (2200) Fields. Field rules require a 660 foot lease-line spacing for the Meeker (2200) Field, 467 foot lease-line spacing for the Meeker (Strawn 2400) Field, and 330 or fewer feet of lease-line spacing for the remainder of the applied-for fields.
3. Applicant abandoned his application for the Meeker (Strawn 2400) Field at the hearing.
4. The Patton Lease took its present size (19.388 acres) and shape on September 12, 1955; at that time, neither the Meeker (2200) nor the Meeker (Strawn 2400) Fields (the only fields for which an exception is required) had been discovered.
5. The existing well, the Patton No. 1, has never been completed in any of the applied-for fields; a loss-of-circulation zone at the 3000-foot level in the immediate area of the well prevents its recompletion in any of the applied-for fields.
6. The proposed location in the approximate geometric center of the tract is reasonable.
7. No regular location for the Meeker (2200) and Meeker (Strawn 2400) Fields exists on the Applicant's lease.
8. The mineral interest ownership of the Patton Lease is not identical to the mineral interest ownership of any nearby tract capable of draining the Patton acreage.

Conclusions of Law

1. Timely and legally sufficient notice was given to all persons legally entitled thereto.
2. Applicant properly filed Railroad Commission Forms W-1 and W-1-A.
3. The Railroad Commission has jurisdiction over the Applicant, the Protestant, and the subject

matter of the application.

4. The 19.388 acre Patton Lease is a legal subdivision in the Meeker (2200) Field.
5. Applicant is entitled to an exception to Statewide Rule 37 to prevent confiscation.
6. The proposed location is reasonable.
7. 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 approximately 145 MMcf of recoverable gas underlying its lease and to avoid confiscation.

RECOMMENDATION

The examiners recommend approval of the application in all fields except the Meeker (Strawn 2400) Field, as set forth in the attached Final Order.

Respectfully submitted,

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

Dwight Martin
Hearings Examiner