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\* KEY ISSUES: \_\_\_\_\_ \*  
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\* FINAL ORDER: R37 Granted - Fashing (Edwards Lime -A-) Field \*  
\* R37 Denied - Wildcat Field \*  
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**RULE 37 CASE NO. 0202078**

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**APPLICATION OF EP OPERATING LIMITED PARTNERSHIP FOR AN EXCEPTION TO  
STATEWIDE RULE 37 FOR ITS WELL NO. 7 ON THE H. A. SCHUMANN UNIT -A-  
LEASE, FASHING (EDWARDS LIME -A-) AND WILDCAT FIELDS, ATASCOSA  
COUNTY, TEXAS**

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**APPEARANCES:**

**APPLICANT:**

Stephen P. Guerin, Petroleum Engineer  
Frank Pope, Jr., Attorney

**REPRESENTING:**

EP Operating Limited Partnership

**PROTESTANTS:**

Mary Elliott Henderson Alford,  
Independent Executrix

Robert G. Henderson Estate

**PROPOSAL FOR DECISION**

**PROCEDURAL HISTORY**

**NOTICE OF APPLICATION:**

May 25, 1993

**NOTICE OF HEARING:**

June 18, 1993

**DATE OF HEARING:**

July 15, 1993

**TRANSCRIPT RECEIVED:**

July 26, 1993

**PFD CIRCULATED:**

October 6, 1993

**HEARD BY:**

Jim McDougal, Legal Division, Examiner  
James Irwin, P.E., Technical Examiner

### **STATEMENT OF THE CASE**

This is a Rule 37 exception application of EP Operating Limited Partnership (EP) to drill its Well No. 7 on the H. A. Schumann Unit -A- Lease, Fashing (Edwards Lime -A-) and Wildcat Fields, Atascosa County, Texas. The application is based on confiscation.

The application was protested by a representative of the Robert G. Henderson Estate which holds the mineral interests in the tract immediately south of the subject lease, i.e. the Gulf Henderson et al. Gas Unit 2. Chevron is the current operator of the Gulf Henderson Gas Unit 2 Tract. Chevron did not protest the application.

The examiners are of the opinion that EP put on sufficient evidence to establish that the proposed exception location is necessary to afford EP a reasonable opportunity to recover the hydrocarbons underneath the subject tract. Accordingly, the examiners recommend that EP's Rule 37 exception application be granted for the Fashing (Edwards Lime -A-) Field only. The examiners recommend that the application for an exception for the Wildcat Field be denied.

### **DISCUSSION OF THE EVIDENCE**

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

This application is to drill EP Operating Limited Partnership Well No. 7 on the H. A. Schumann Unit -A- in the Fashing (Edwards Lime -A-) and Wildcat Fields, Atascosa County, Texas. The proposed location is 300' from the southeast lease line and 1250' from the nearest producing well on the lease. The proposed location is also 1368' from the second producing well on the lease. Currently, there are only two producing wells on the Schumann Unit -A- Lease. Field rules for the Fashing (Edwards Lime -A-) Field require lease line spacing of 660' and between well spacing of 1500'. The required proration unit density is 320 acres with optional 80 acre units. Statewide rules apply for the Wildcat Field.

The subject lease is bisected in its northern one-third segment by a south dipping fault. The fault is the up-dip trap for the hydrocarbon accumulation in the subject field. Evidence indicates that a substantial amount of water is migrating along the fault and encroaching into the subject field from an updip location. As continued production reduces the formation pressure, additional water encroaches and moves down-dip. Exhibit No. 5 shows the areal extent of water encroachment to date in two of the three Edwards -A- formation segments.

The evidence shows that Gulf's Henderson et al. Gas Unit 2 Well No. 1 has drained gas from the applicant's lease. The well is currently plugged and abandoned. However, Chevron is currently producing the Henderson et al. Gas Unit 2 Well No. 2 from the subject field. The Henderson et al. Gas Unit 2 Well No. 2 is located south and down-dip from the abandoned Well No. 1.

In order to prevent confiscation, applicant plans to drill the proposed well. The estimated recoverable reserves from the proposed well are 1.2 BCF. However, the water encroachment precludes locating the well up-dip at a regular location in the Edwards -A- formation. In the absence of the proposed well, the estimated recoverable gas will not be recovered by the two existing wells on the lease or the encroaching water will push gas onto adjacent down-dip southerly leases. Production from the Gulf Henderson et al. Gas Unit 2 Well No. 2 is causing further water encroachment.

### **PROTESTANT'S EVIDENCE**

The Robert G. Henderson Estate did not put on a direct case. Its cross examination questions tended to center on the location of the well. The Estate apparently was under the impression that the proposed location was farther to the west than it actually is. While the Estate maintained its opposition to the proposed exception location, it seemed to be much less apprehensive when it learned that the actual location of the proposed well was farther to the east. The actual location of the proposed well puts it just north of the unit which is adjacent to the east of the Estate's property.

### **EXAMINERS' OPINION**

The examiners believe that EP put on sufficient evidence to establish the necessity for the proposed exception location for the Fashing (Edwards Lime -A-) Field. The movement of water in a southerly direction across the subject lease warrants the placing of the proposed well in the southerly portion of the lease. This position is necessary for EP to have a reasonable opportunity to recover the hydrocarbons underneath its lease because, otherwise, the gas will be pushed onto adjacent southern leases or will not be produced at all. EP will not drill a well at a regular location because of the encroaching water. The two existing wells will not provide EP with a reasonable opportunity to recover the gas under its tract. The examiners recommend denial of the spacing exception for the Wildcat Field because no evidence was presented to show the need for the exception location.

The proposed location is also necessary because the gas may not be recoverable by any other existing well on the tract. EP produced an exhibit showing the drainage area for the proposed well. The exhibit showed that the gas in place around the proposed location would not be recoverable by any other existing well. Accordingly, it is reasonable to conclude that the gas to be recovered from the proposed location is within EP's "fair share" of hydrocarbons.

**FINDINGS OF FACT**

1. At least 10 days' notice was given to the following persons for each adjacent tract, and each tract nearer to the well than the prescribed minimum lease line distance:
  - a. Designated operator;
  - b. All owners of record for tracts that have no designated operator; and
  - c. All owners of record of unleased mineral interests.
2. This application is to drill EP Operating Limited Partnership Well No. 7 on the H. A. Schumann Unit -A- in the Fashing (Edwards Lime -A-) and Wildcat Fields, Atascosa County, Texas. The proposed location is 300' from the southeast lease line and 1250' from the nearest producing well on the lease and 1368' from the second closest producing well on the lease. Field rules for the Fashing (Edwards Lime-A-) Field require lease line spacing of 660 feet, between well spacing of 1500 feet, and density patterns of 320 acres with optional 80 acres. Field rules for the Wildcat Field are statewide rules.
3. The subject lease is bisected in its northern third segment by a fault. The dip from the fault then runs to the south. The fault is leaking water from updip going downdip.
4. The Edwards "A" zone has three vertical portions. Water has encroached into the upper portions and covers approximately two-thirds of the subject lease. Water has completely covered the subject lease in the middle and lower portions of the Edwards "A" zone.
5. Estimated recovery at the proposed location is 1.2 BCF. This estimated recovery represents gas that, in the absence of the proposed well, would not be recovered by any other of the two existing wells on the lease or would be pushed by the water onto adjacent southerly leases.
6. A regular location in the Fashing (Edwards Lime -A-) Field is not reasonable because of the proximity of such location to the southward-encroaching water front.
7. There is no evidence as to the necessity for an exception location for the Wildcat Field.
8. The Gulf Henderson Unit 2 No. 1 well immediately to the southwest of the proposed location has been plugged and abandoned. The Gulf Henderson Unit 2 was a separate unit from the subject unit and was operated by an operator other than applicant.

**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. The applied-for exception to Rule 37 for the Fashing (Edwards Lime -A-) Field is necessary to provide the application a reasonable opportunity to produce the hydrocarbons underneath its lease and thereby prevent confiscation.
4. The applicant did not meet its burden to show the necessity for an exception to Rule 37 for the Wildcat Field.

**EXAMINERS' RECOMMENDATION**

The examiners recommend that EP's Rule 37 exception application be granted for the Fashing (Edwards Lime -A) Field and denied for the Wildcat Field.

Respectfully submitted,

Jim McDougal  
Hearings Examiner

James Irwin, P.E.  
Technical Examiner