

```

*****
* KEY ISSUES: CONFISCATION          *
*           Shape of lease          *
*           Economic waste          *
*                                   *
* FINAL ORDER: R37 EXCEPTION GRANTED *
*****

```

Rule 37 Case No. 0203261

---

**APPLICATION OF WCS OIL AND GAS CORPORATION FOR AN EXCEPTION TO  
STATEWIDE RULE 37 TO DRILL ITS WELL NO. 1, DOTSON LEASE, GIDDINGS  
(AUSTIN CHALK-3) AND GIDDINGS (AUSTIN CHALK GAS) FIELDS, FAYETTE  
COUNTY, TEXAS**

---

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT**

Flip Whitworth, Attorney  
Kerry Pollard, Consultant

WCS Oil and Gas Corp.

**PROTESTANT**

David Nelson, Attorney  
Gregory Waner, Consultant

Weber Energy

Mike Mc Elroy, Attorney  
Robert Durkee, Consultant

Browning Oil Co.

**PROCEDURAL HISTORY**

<b>Application Filed:</b>	September 21, 1993
<b>Notice of Hearing:</b>	October 4, 1993
<b>Hearing Held:</b>	December 2, 1993
<b>PFD Circulated</b>	March 15, 1994
<b>Heard by:</b>	Jeffrey T. Pender, Hearings Examiner Charles Dickson, Technical Examiner

### **STATEMENT OF THE CASE**

WCS Oil and Gas Corporation ("Applicant") has made application for a permit to drill its Well No. 1 on the 128.85 acre Dotson Lease ("subject tract") 236' from the nearest lease line (see attached plat). At the hearing the Applicant requested that in addition to the 236' irregularity, the Commission allow it to terminate the drainhole 100 feet from the northwest line of the lease instead of the proposed 467 feet. Field rules for the applied-for fields require a minimum lease line spacing of 467 feet, 1200' between-well spacing and a 160/80 acre density pattern. The exception is sought to prevent confiscation. The application was protested by Weber Energy and Browning Oil Company ("Protestants"). The Protestants cross-examined Applicant's witness and introduced other evidence through direct cases.

### **DISCUSSION**

The Applicant seeks to drill its first well on the Dotson Lease to either the Giddings (Austin Chalk-3) Field, which is an oil reservoir or the Giddings (Austin Chalk Gas) Field. The Applicant proposes to reenter an existing Giddings (Edwards) borehole at the east end of the subject lease and drill out a 3,000' horizontal drainhole in a westerly direction to within 100 feet of the west line of the lease. The proposed drainhole would pass through a narrow neck on the subject lease (see attached plat) causing the drainhole to come closer than 467' to the Weber Energy Lease to the southwest and the Browning Lease to the northeast.

It was undisputed that the Applicant has no other lease interest in the vicinity of the Dotson Lease. There are no wells draining the Dotson Lease from the north. However, the Weber Energy Corporation Grant Unit #1 immediately to the south produced at a rate of 807 MCFD and 134 BOPD in September 1993. The Weber Grant #1 drainhole is approximately the same length (3100') as the applied-for drainhole and has assigned only 4% more acreage than the applied-for well. The Weber Grant is probably draining the Dotson Lease.

Kerry Pollard, for the Applicant testified that the proposed well would recover a total of 100,000 barrels of oil. This figure was derived by assuming a similar performance history to the adjacent Weber Grant #1. The Weber Grant is projected to ultimately recover about 160,000 barrels of oil. On cross examination, the suggestion was made that dual laterals could be drilled from a well positioned in the lease "bottleneck" so that the drain holes, within the Austin Chalk interval, would not violate lease line spacing requirements. Mr. Pollard responded that the resulting total drainhole interval would be much less than for a single lateral kicked off of the existing Giddings (Edwards) borehole. In addition, there would be increased risk and cost involved in completing duals as opposed to a single lateral.

Mr. Pollard also testified that although the permit application requests approval for a bottom hole location 467 feet from the west line of the subject lease, the applicant requests that the Commission consider moving the bottom hole location to within 100 feet of the west line in order

to intercept the fractures on the extreme west end of their lease. Though the offsetting mineral interest owner, Mineral Development, Inc., was not present at the hearing, it did send a waiver concerning the 100 foot lease line offset requested by the applicant.

Weber Energy's expert, Mr. Gregory Waner testified that drilling a vertical well would allow the Applicant to recover its share of hydrocarbons under the lease without the necessity of a lease line spacing exception. However, on cross-examination and in late filed exhibits it was demonstrated that the Applicant would probably not recover its fair share from a vertical well on the subject lease.

### **EXAMINERS' RECOMMENDATION**

The application is for the first well in the applied-for fields on the subject lease. The irregular location proposed by the Applicant is necessary because neither a dual lateral drilled from the "bottleneck" in the subject lease nor a vertical well nor a short lateral drilled on the east or west portions of the subject lease will permit the Applicant to recover its share of hydrocarbons under the lease.

The Applicant's proposed location is reasonable because it is located roughly along the centerline of the tract, makes use of an existing well bore and will afford the Applicant a reasonable opportunity to recover its share of hydrocarbons in the "bottleneck" portion of the lease.

The examiners' recommend granting the applied-for permit in accordance with the attached order which includes a provision extending the permitted drainhole to within 100 feet of the west line of the subject lease.

### **FINDINGS OF FACT**

1. Notice of hearing was given on October 28, 1993, to all designated operators, lessees of record for tracts that have no designated operator, and owners of record of unleased mineral interests for each adjacent tract and each tract nearer to the well than the prescribed minimum lease-line spacing distance.
2. WCS Oil and Gas Corporation ("Applicant") has applied on Form W-1 for a permit to drill Well No. 1 on the Dotson Lease. Applicant proposes to drill its well at a location 236 feet from the lease line at the "bottleneck" of the subject lease and terminate the well 100 feet from the northwest line of the lease.
3. Applicant has applied for completion of its proposed well in the Giddings (Austin Chalk-3) and Giddings (Austin Chalk Gas) Fields, having spacing rules of 467' lease line and 1200' between well spacing and 160/80 acre units.

4. Applicant's Dotson Lease contains 128.85 acres.
5. There are regular locations on the lease however no regular location would allow the Applicant to recover it's share of hydrocarbons under the lease.
  - a. No single vertical well at a regular location will allow the applicant a reasonable opportunity to recover it's share of hydrocarbons under the subject lease.
    - i. The Weber Grant has cumulative production of 90,495 BO.
    - ii. The average Dotson area vertical well has cumulative production of 39,801 BO.
    - iii. The Weber Grant produced at a rate of 134 bbl/day in September 1993.
    - iv. The average vertical well production in the Dotson area was 5.6 bbl/day in September 1993.
  - b. No combination of laterals drilled so as to be completely regular along the drain holes will allow the applicant a reasonable opportunity to recover it's share of hydrocarbons under the lease.
    - i. The total drainhole length for dual laterals drilled from a vertical hole in the lease "bottleneck" would likely intercept one-third less fractures than the applied-for well and experience proportionately reduced production.
    - ii. A single horizontal drainhole drilled on either side of the "bottleneck" so as to be completely regular would likely intercept only one-third to one half of the possible fractures that the applied-for well would intercept.
6. Applicant has no interest in tracts contiguous to or draining the Dotson Lease.
7. An exception to the lease line spacing rules for the applied-for fields is necessary.
  - a. Without the applied-for exception, the tract's reserves cannot be recovered by the mineral interest owners of the Dotson Lease.
    - i. Recoverable oil under the Dotson Lease is estimated to be 147,027 BO.
    - ii. The applied-for well will recover, at most, two-thirds of the estimated recoverable oil due to drainage by the Weber Grant well.
8. The proposed location is reasonable because it provides the owners a reasonable opportunity to recover their fair share of hydrocarbons underlying their tract.

**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 mineral interest owners of the Dotson Lease are entitled to protection from confiscation.
4. The Dotson Lease is a regular tract.
5. Approval of a permit to drill a well at the proposed location is necessary to give owners of the subject tract a reasonable opportunity to recover their share of hydrocarbons in the applied-for fields underlying the tract.

Respectfully submitted,

Jeffrey T. Pender  
Hearings Examiner

Charles Dickson  
Technical Examiner

JTP/kam