
* KEY ISSUES: Regular location uneconomic *
* past drainage *
* current conditions *
* *
* FINAL ORDER: R37 EXCEPTION DENIED *

**RULE 37 CASE No. 0204362
PROPOSAL FOR DECISION**

AN APPLICATION BY SAMSON RESOURCES COMPANY FOR AN EXCEPTION TO
STATEWIDE RULE 37 TO DRILL WELL No. 3-39, FLOWERS LEASE, HEMPHILL
(GRANITE WASH) AND WILDCAT FIELDS, HEMPHILL COUNTY, TEXAS

APPLICANT: Samson Resources Company
FOR APPLICANT: David Nelson, Rex Stout, Paul Clark

PROTESTANTS: Enron Oil & Gas, Kaiser-Francis Oil Company
FOR PROTESTANT ENRON: Flip Whitworth, Charles Salmon
FOR PROTESTANT KAISER-FRANCIS: Ana Maria Marsland

HEARINGS EXAMINER: Dwight Martin
TECHNICAL EXAMINER: Donna Chandler

PROCEDURAL HISTORY

APPLICATION FILED: 1-26-94	TRANSCRIPT DATE: 4-1-94
HEARING NOTICE DATE: 2-24-94	PFD CIRCULATION DATE: 4-11-94
HEARING DATE: 3-17-94	CURRENT STATUS: Protested

STATEMENT OF THE CASE

The 285 acre Flowers Lease ("the lease") is located in Hemphill County. Applicant seeks an exception to Tex. R.R. Comm'n, 16 TEX. ADMIN. CODE § 3.37 (Statewide Rule 37) to prevent confiscation only, and proposes to drill a Well No. 3-39 to the Hemphill (Granite Wash) and Wildcat Fields, at a location 330 from the east line and 330 feet from the south line of both the Flowers Lease and the DP Fearis #39 Survey, Abstract No. A-39. Proposed total depth is 10,900 feet. The proposed well would be the first on the tract in either of the applied-for fields. Field rules for both fields require a 467 foot lease-line spacing and a 1,200 foot between-well spacing.

DISCUSSION OF THE EVIDENCE

There are two productive areas under the lease, one in the southwest corner and a larger one in the southeast corner. According to the Applicant, the combined recoverable reserves under both portions of the lease as of the date of the hearing amounted to 244 MMcf, as compared to the original recoverable gas in place of 929 MMcf. The Applicant also stated that a well at the proposed location in the southeastern corner of the tract would recover about 525 MMcf of gas, while a well at a regular location in the same quadrant would recover about 365 MMcf of gas. Applicant avers that it will not drill the regular location because such a well would be uneconomic; the proposed location, on the other hand, would yield a ten per cent profit.

EXAMINERS' OPINION

Since a well at a regular location can recover more than the gas remaining in place under the tract as of the date of the application, the application must be denied. It is irrelevant that a well at a regular location would be uneconomic; Rule 37 is not a device by which an Applicant who delays drilling may then shift some or all of the penalty for interim drainage to the offsetting operators whose production during the relevant period has been under the rule of capture. The rule's only purposes are to prevent waste and to protect correlative rights as they exist when the application is made, not to remedy *past* drainage.

PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

Findings of Fact

1. Notice of hearing was sent on February 24, 1994, 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 467 feet to Applicant's proposed well.
2. Applicant has applied on Form W-1 to drill Well No. 3-39 to the Hemphill (Granite Wash) and Wildcat Fields, at a location 330 from the east line and 330 feet from the south line of both the Flowers Lease and the DP Fearis #39 Survey, Abstract No. A-39. Proposed total depth is 10,900 feet.
3. The proposed well would be the first well on the tract in either of the applied-for fields.
4. The original recoverable gas in place under the Flowers Lease in the Hemphill (Granite Wash) Field was 929 MMcf; as of the date of the application, 244 MMcf of gas was in place under the tract, the remainder having been drained away by offsetting wells..
5. A well at a regular location will recover about 365 MMcf of gas; a well at the proposed location will recover about 525 MMcf of gas.

6. A well at a regular location would be uneconomic; a well at the proposed location would earn a slight profit.

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 Protestants, and the subject matter of the application.
4. Because a well at a regular location will recover more gas than is currently in place under the Flowers Lease, Applicant is not entitled to an exception to Statewide Rule 37 to prevent confiscation.

RECOMMENDATION

The examiners recommend denial of the application because the Applicant will not suffer confiscation if forced to drill at a regular location.

Respectfully submitted,

Donna Chandler, P.E.
Technical Examiner

Dwight Martin
Hearings Examiner