
* KEY ISSUES: WASTE *
* Reef *
* Attic Oil *
* *
* FINAL ORDER: R37 EXCEPTION GRANTED *

RULE 37 CASE NO. 0205389

**APPLICATION OF FORTSON OIL COMPANY FOR AN EXCEPTION TO
STATEWIDE RULE 37 TO DRILL ITS WELL NO. 1, PATTON LEASE, WILDCAT
FIELD, JONES COUNTY, TEXAS**

APPEARANCES:

REPRESENTING:

APPLICANT

Robert Grable (Attorney)
Mike McKee
Richard Drew
Macon McDonald

Fortson Oil Company

PROTESTANT

Dale E. Miller (Consultant)
C. E. Clemmer

C. E. Clemmer

PROCEDURAL HISTORY

Application Filed:	May 5, 1994
Notice of Hearing:	May 13, 1994
Hearing Held:	June 10, 1994
Transcript Received:	July 5, 1994
PFD Circulated:	September 22, 1994
Heard by:	Jeffrey T. Pender, Hearings Examiner Margaret Allen, Technical Examiner

STATEMENT OF THE CASE

Fortson Oil Company ("Fortson") has applied on a Form W-1, dated May 5, 1994 for permission to drill its first well on the 175 acre Patton lease in the Wildcat Field in Jones County, Texas (see attached plat). Fortson contends that the well is necessary to prevent waste. Fortson does not contend nor did it put on evidence that the permit is necessary to prevent confiscation.

At the proposed location the well would be 187 feet from the common property line with protestant, Cloise E. Clemmer ("Clemmer"), an unleased mineral interest owner. Mr. Clemmer also operates the Clemmer No. 1, the only producing Canyon reef well on his property. "County Regular" rules in Jones County requires 330' lease line spacing, 933 between-well spacing and 20 acre density.

Clemmer did not put on a direct case but did cross-examine the witness.

DISCUSSION OF THE EVIDENCE

Fortson conducted a 3D seismic survey of the area that reveals a feature which it believes to be a Canyon reef. There have been numerous wells drilled in the area searching for Canyon reefs. Fox & Ransdell have produced 116,235 BO from a Canyon reef well (Fox & Ransdell Hawthorn Well No. 2) about 1400' southwest of the proposed Patton No. 1 location. The Clemmer No. 1, located on the protestant's property, has produced only 2917 BO. According to the testimony of Mr. McKee, 3D seismic indicates that the Patton No. 1 is on a separate structure from the Fox & Ransdell well. Mr. McKee also testified that the Canyon reef features in this area are filled to spill point and have strong water drives. On cross examination, Mr. McKee stated that he did not have well data to support his spill point pick, only his map constructed from seismic data. Mr. McKee elected not to show the seismic data supporting his "saddle" interpretation.

Both the Fox & Ransdell Hawthorn Well No. 2 and Clemmer No. 1 are carried in the Trubee, North (Palo Pinto) Field. Mr. McKee testified that the Clemmer No. 1 should be carried on the schedule in a new field. Fortson believes that its Patton No. 1 would be in the same new field as the Clemmer No. 1 and has therefore filed its drilling permit for the Wildcat Field. Both the Trubee, North (Palo Pinto) and Wildcat Fields require that wells be 330' from the nearest lease line.

Fortson testified that they had acquired 3D seismic over the entire area of interest including the Patton lease, Clemmer property and the Fox & Ransdell structure. Although Fortson has shown the seismic lines to Clemmer, Fortson chose not to present its seismic lines at

the hearing. Mr. McKee did submit a partial structure map of the target feature showing all contours the Patton Lease and down to the -2300' contour on the Clemmer property (see Fortson Exhibit 5). Clemmer testified that he did not make an interpretation of the seismic data provided to him by Fortson. Clemmer did not dispute Fortson's structural interpretation.

According to the testimony of Mr. McKee, the proposed location is the highest point in the field. There are no higher locations on Mr. Clemmer's property. He also testified that a well at a regular location on the subject tract would recover 144,975 BO while one at the proposed location would recover 174,825 BO. A well at a regular location would leave 29,850 BO in the structure as attic oil. Clemmer pointed out on cross-exam that there were errors in the scaling of Exhibit 7, a north-south cross-section used to demonstrate the amount of oil that would be wasted, however they did not refute Fortson's resulting recovery estimates.

EXAMINERS' OPINION

The examiner's believe that Fortson should be granted an exception to the Jones County Regular Rules for its proposed location. The position of the reef crest constitutes an unusual condition that if not accounted for by granting this location exception, will cause the ultimate waste of a substantial amount of hydrocarbons.

Though Clemmer objected strongly to the absence of the supporting seismic data in evidence, they did not refute the structure map that was offered in evidence or the resulting reserves and projected waste calculations.

FINDINGS OF FACT

1. At least 10 days notice of this hearing was given to:
 - a. All operators
 - b. All lessees of record for tracts that have no operator; and
 - c. All owners of record of unleased mineral interests.of each adjacent tract and each tract nearer to the well than 330 feet.
2. Fortson has applied on Form W-1, dated May 5, 1994 for permission to drill its first well on the 175 acre Patton Lease in the Wildcat Field, Jones County, Texas.

3. The proposed well will be located 187 feet from the common property line with Cloise E. Clemmer, an offsetting operator and unleased mineral interest owner.
4. The Wildcat Field in Jones County, Texas requires 330' lease line spacing.
5. Unusual conditions underlie the applicant's tract.
 - a. A pinnacle reef structure at the Canyon reef level underlies the applicant's and protestant's tracts.
 - b. Water drive is the primary energy source for the Canyon reef reservoir underlying the applicant's and protestant's tracts.
 - c. Unless a well is located at the crest of the structure, there will be oil left in the structure upon abandonment.
 - d. The crest of the structure is located at the proposed well location.
6. Requiring the applicant to drill a well at a regular location will cause 29,850 BO to be left in the structure at abandonment.
 - a. At the proposed location a well would recover approximately 174,825 BO.
 - b. At the regular location closest to the crest of the structure, a well would recover approximately 144,975 BO from the target Canyon reef.

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. Approval of Fortson's application is necessary to prevent waste.

EXAMINERS' RECOMMENDATION

The examiners recommend that the Commission grant Fortson Oil Company an exception to Jones County Regular Field Rules and approve its proposed location 187' from the east line of the lease for the drilling of the Patton Lease No. 1.

Respectfully submitted,

Jeffrey T. Pender
Hearings Examiner

Margaret Allen
Technical Examiner

JTP/kam