
* KEY ISSUES: _____ *
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* FINAL ORDER: R37 EXCEPTION APPROVED *
* AT ALTERNATE LOCATION *

RULE 37 CASE NO. 0207208

**APPLICATION OF KAISER-FRANCIS OIL COMPANY FOR A SPACING EXCEPTION
TO STATEWIDE RULE 37 TO DRILL THE WIRT DAVIS UNIT WELL NO. 5, LEGGETT
(WOODBINE) AND WILDCAT FIELDS, POLK COUNTY, TEXAS**

APPEARANCES

REPRESENTING

FOR APPLICANT:

Mr. Philip Patman, attorney
Mr. Robert Lindow
Mr. Michael Knapp

Kaiser-Francis Oil Company

FOR PROTESTANT:

Mr. Flip Whitworth, attorney
Mr. Gary Frazier
Mr. John Thompson
Mr. Richard Glass

Mitchell Energy Corporation

INTERESTED PARTY:

Mr. Spencer Shettle

mineral interest owners

OBSERVER:

Mr. Jim Brown

NationsBank

PROPOSAL FOR DECISION

PROCEDURAL HISTORY

W-1 Application Filed:	December 1, 1994
Notice Sent to Operators:	December 2, 1994
Date of Hearing:	January 24, 1995
Heard By:	Barbara Epstein, Hearings Examiner Charles L. Dickson, Director - Technical Hearings
Transcript Received:	February 22, 1995
PFD Circulated:	May 24, 1995
Status:	Protested

STATEMENT OF THE CASE

Kaiser-Francis Oil Company ("Kaiser-Francis") seeks an exception to Statewide Rule 37 to drill its Wirt Davis Unit ("Wirt Davis") Well No. 5 in the Leggett (Woodbine) and Wildcat Fields in Polk County, Texas. An exception to Statewide Rule 37 is required because the proposed well would be located 670 feet from the east line and 850 feet from the north line of the lease while field rules require 1867 feet lease-line spacing and 3735 feet between-well spacing. Field rules for the Wildcat Field are 467 feet spacing from lease lines and 1200 feet spacing between wells, so this well would be at a regular location for the Wildcat field.

This application is protested by Mitchell Energy Corporation ("Mitchell") who operates the offsetting Ike Smith Gas Unit to the east. Mitchell contends that Kaiser-Francis can still recover the remaining recoverable reserves underlying its tract if the proposed location is moved north and west, away from the common lease line to a less irregular location.

DISCUSSION OF THE EVIDENCE

APPLICANT'S EVIDENCE

The Wirt Davis Unit has two temporarily abandoned wells listed on the Commission proration schedule in the Leggett (Woodbine) Field, the Wirt Davis G/U Nos. 1 and 3. Kaiser-Francis maintains that its remaining reserves cannot be recovered at a regular location because such a location would place the well adjacent to the depleted Wirt Davis No. 1. Kaiser-Francis contends that an additional well at an irregular location is necessary to allow it an opportunity to recover the remaining gas reserves underlying its unit and to prevent confiscation of those reserves by production from the offsetting Mitchell Ike Smith Unit Well No. 1.

Kaiser-Francis presented a BHP/Z curve based on G-1 and measured bottom-hole pressure data to show that there is good pressure communication in the field between the Ike Smith G/U Well No. 1 to the east, the depleted Wirt Davis Well No. 3 and the Samson Trammel Trust Well No. 1, to the west. Applying the same production and BHP/Z data to the Wirt Davis Unit, Kaiser-Francis calculated that there are 1.6 BCF of remaining recoverable gas underlying its unit.

Kaiser-Francis contended that the proposed well must be located to encounter the maximum pay and porosity on its tract. Based on its porosity-feet isopach map, the location should be between the Samson Trammel Trust No. 1 and the Mitchell Ike Smith No. 1 wells. Because the Ike Smith well has a porosity-feet of 5.2 and the Trammel Trust well has a porosity-feet of 2.4, Kaiser-Francis believes there will be similar porosity and pay thickness between the wells. Consequently, Kaiser-Francis drew a straight line between the Trammel Trust and Ike Smith wells so that its proposed well would encounter porosity feet of 5.6. Kaiser-Francis expects the proposed location to compete for reserves in the field rather than to take advantage of the prolific production from the Ike Smith well, which is the best well in the field,

PROTESTANT'S EVIDENCE

Mitchell did not dispute that Kaiser-Francis is entitled to an additional well or that there are at least 1.6 BCF of recoverable gas reserves remaining under the unit. Mitchell argues however, that Kaiser-Francis' well should be located 1867 feet from the east line and 1150 feet from the north line of the unit. This would place the alternate location 3800 feet from the Mitchell Ike Smith No. 1 and 3750 feet from the Samson Trammel No. 1.

Mitchell estimated that the alternate location it suggested would recover roughly the same amount of gas (1.8 bcf from this point forward) as the Trammel well will and still be within the same porosity-feet contour line as the Ike Smith well. (Tr. Vol. II, p. 66) Mitchell believes that its alternate location is reasonable because the proposed well would to drain the Ike Smith well.

Mitchell then calculated that the recoverable gas for the Wirt Davis Unit No. 5 location would be 7,663 MMCF (7.663 BCF) compared to 7,116 MMCF (7.116 BCF) at the proposed alternate location. Mitchell estimated that if the current recoverable gas under the Wirt Davis Unit is 1.6 BCF, Kaiser-Francis would actually recover an additional 6.063 BCF of gas at the Kaiser-Francis location, or an additional 5.516 BCF of gas at the Mitchell proposed location, after recovering its recognized remaining reserves.

EXAMINERS' OPINION

It is the examiners' opinion that Kaiser-Francis should be denied an exception to Statewide Rule 37 at its proposed location but should be granted at the alternate location proposed by Mitchell, 1867 feet from the east line and 1150' from the north line of the Wirt Davis unit, and 1036' from the east line and 1700 feet from the north line of the W. M. Johns Survey. This would place the well

3800 feet from the Mitchell Ike Smith No. 1, and 3750 feet from the Samson Trammel Well No. 1.

It is undisputed that Kaiser-Francis cannot recover the remaining reserves underlying its unit without drilling an additional well and that at least 1.6 BCF of recoverable gas remains. The only real question is what location is reasonable to allow Kaiser-Francis an opportunity to recover its share of the gas reserves underlying its unit. The examiners believe that the proposed Kaiser-Francis location is not reasonable because there are less irregular locations, such as the alternate location proposed by Mitchell, that were not refuted which would still allow Kaiser-Francis to recover its remaining recoverable reserves.

The examiners believe that Kaiser-Francis did not adequately support its assertion that the limits of the reservoir dictate drilling a well 2537 feet from the most productive well in the field. The unstated, yet evident, rationale for placing the proposed well at the applied-for location is to place it as close as possible to the prolific Ike Smith well. The proposed alternate location, on the other hand, 3800 feet from the Ike Smith well, will not reduce Kaiser-Francis' opportunity to recover its share of hydrocarbons underlying its unit, since the estimated porosity-feet will not be decreased and Kaiser-Francis will be able to recover at least 1.6 bcf of gas at the less irregular location.

Based on the testimony presented at the hearing and the evidence admitted into the record, the examiners make the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. At least ten days notice of this hearing was given to all designated operators, lessees of tracts with no designated operator, and all owners of record of unleased mineral interests of each adjacent tract and each tract nearer than 1867 feet to the applied-for well. Additionally, the applicant published notice of the application in the Polk County Enterprise on December 8, 15, 22, and 29, 1994.
2. An exception to Rule 37 is required for the proposed well because the well will be located 670 feet from the east line and 850 feet from the north line of the unit.
3. Field rules for the Leggett (Woodbine) Field are:

1867' from lease line spacing / 3735' between well spacing / 640 acre density / 10% tolerance acreage / 100% deliverability.
4. There are two wells on the Wirt Davis Unit in the Leggett (Woodbine) Field, the No. 1 and the No. 3, which have both been temporarily abandoned since June, 1993.
 - a. The Wirt Davis G/U No. 1 has produced 5.3 bcf of gas and 281,000 barrels of condensate.

- b. The Wirt Davis G/U No. 3 has produced 3 bcf of gas and 226,000 barrels of condensate.
- 5. It is undisputed that neither of the existing wells on the Wirt Davis Unit can recover the remaining reserves underlying the unit in the Leggett (Woodbine) Field.
- 6. It is undisputed that Kaiser-Francis is entitled to recover 1.6 bcf of gas underlying its unit.
- 7. It is undisputed that a well drilled at a regular location cannot recover the remaining reserves underlying the Wirt Davis Unit in the Leggett (Woodbine) Field.
- 8. Kaiser-Francis' proposed location is not reasonable because in addition to recovering the remaining 1.6 bcf of gas reserves underlying the Wirt Davis Unit, it would also drain 6.063 bcf of gas from the offsetting Ike Smith Unit.
- 9. The alternate location proposed by Mitchell is reasonable because it would be a less irregular location than the Kaiser-Francis proposed location and would allow Kaiser-Francis an opportunity to recover the remaining reserves underlying its unit.

CONCLUSIONS OF LAW

- 1. The application on Railroad Commission Form W-1 was properly filed.
- 2. Proper notice was issued by the Railroad Commission to appropriate persons legally entitled to notice.
- 3. All things have been done and have occurred to give the Railroad Commission jurisdiction to decide this matter.
- 4. Kaiser-Francis failed to meet its burden of proof that its applied-for location was necessary and reasonable to afford it a reasonable opportunity to recover its share of hydrocarbons underlying its tract, thereby preventing confiscation.
- 5. The alternate location proposed by Mitchell is reasonable and necessary to afford the applicant a reasonable opportunity to recover its share of hydrocarbons underlying its tract, thereby preventing confiscation.

EXAMINERS' RECOMMENDATION

The examiners recommend the above findings and conclusions be adopted and that the applied-for Rule 37 exception be denied, and that an alternate Rule 37 location 1867 FEL and 1150 FNL of the Wirt Davis lease and 1036' FEL and 1700" FNL of the W. M. Johns Survey be approved.

Respectfully submitted,

Barbara Epstein
Hearings Examiner

Charles L. Dickson, Director
Technical Hearings