



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

**OIL AND GAS DOCKET NO. 01-0263041**

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**THE APPLICATION OF MAVERICK ENERGY GROUP, INC. FOR EXCEPTIONS TO STATEWIDE RULE 11 FOR ALL DEEPENINGS PERFORMED SINCE MAY 5, 2007 IN THE BIG FOOT (OLMOS D-3 SAND) FIELD, FRIO COUNTY**

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**HEARD BY:** Donna K. Chandler, Technical Examiner  
Mark J. Helmueller, Hearings Examiner

**HEARING DATE:** November 17, 2009

**HEARING CLOSED:** June 25, 2010

**PROPOSAL FOR DECISION ISSUED:** August 10, 2010

**APPLICANT:**

Roland Baker

**REPRESENTING:**

Maverick Energy Group, Inc.

### EXAMINERS' REPORT AND PROPOSAL FOR DECISION

#### STATEMENT OF THE CASE

Maverick Energy Group, Inc. ("Maverick") requests exceptions to Statewide Rule 11(b)(1)(E) for numerous wells in the Big Foot (Olmos D-3 Sand) Field. The wells are on various leases operated by Maverick. Statewide Rule 11(b)(1)(E) is as follows:

Inclination surveys shall not be required on wells deepened with rotary tools if the well is deepened no more than 300 feet or the distance from the surface location to the nearest lease or boundary line, whichever is the lesser, and provided that the well was not intentionally deviated from the vertical at any time before or after the beginning of deepening operations.

The subject wells were deepened in excess of 300 feet and inclination surveys were not performed on the deepening as required by Statewide Rule 11(b)(1)(E).

The examiners recommend that the requested exceptions be denied and that the wells be shut-in until they are in compliance with Rule 11(b)(1)(E).

### DISCUSSION OF THE EVIDENCE

Maverick operates the Olmos B Sand Unit in the Big Foot Field. The lease contains approximately 4,800 acres. Beginning in 2007, many wells were deepened from the Olmos B sand to the Olmos D Sand. Permits were issued allowing deepening of the subject wells from the Big Foot Field (which is the Olmos B Sand) to the Big Foot (Olmos D-3 Sand) Field. Commingling authority had been granted for the wells in the Olmos B and Olmos D sands. However, the Olmos D Sand is not unitized and the wells which were deepened are now on either the Jane Burns, Jane Burns A, Big Foot Olmos D Sand Unit, Susie D. Saunders or Bordovsky leases in the Big Foot (Olmos D-3 Sand) Field. The wells were each deepened approximately 400-500 feet, with an additional casing string run in each well from the deepened total depth to surface. The original total depths for the wells were approximately 3,500 feet.

In August 2009, Maverick was advised by the Commission's Oil & Gas Division that allowables could not be assigned to numerous wells which it deepened because inclination surveys had not been performed on the deepenings as required by Statewide Rule 11. Maverick was advised that an allowable would not be assigned until a directional survey was submitted.

On September 15, 2009, Maverick requested a blanket exception to the requirements of Statewide Rule 11 for 103 wells. A notice of hearing was issued by the Commission's Office of General Counsel which identified the 103 wells.

At the hearing in this docket convened on November 18, 2009, Maverick through its consultant submitted data for some of the wells identified in its original request and the notice of hearing.

Review of the evidence during the hearing revealed that the list of wells for which Maverick sought exceptions included wells which had been plugged, injection wells, and wells deepened less than 300 feet, all of which would not require inclination surveys. Due to the discrepancies, Maverick was instructed to submit additional information to correctly identify the wells for which exceptions were sought and include data supporting the requested exceptions.

Maverick's consultant met with the technical examiner soon after the hearing in an attempt to respond. The information submitted during that discussion remained inaccurate. The data was withdrawn by the consultant so that it could be corrected and resubmitted.

In its last filing, Maverick identified 49 wells which were deepened more than 300 feet, 27 of which have original W-12 Inclination surveys. Original W-12 surveys could not be located for the remaining wells. The producing wells had been assigned allowables in the Big Foot Field prior to the deepenings. At least two of the wells had been injection wells in the B-3 and did not require an inclination survey for the B-3 completion.

The available W-12's indicate accumulative total displacements ranging from 20 to 80 feet, with an average of about 42 feet. If the last recorded angle of inclination is extrapolated by the length of the deepening, the accumulative total displacement increases to an average of about 48 feet at the new total depth. Maverick believes that it is reasonable to assume that the other 20 wells would have similar additional displacement as a result of the deepening, which Maverick considers to be minimal.

Field rules for the Big Foot (Olmos D-3 Sand) Field require a minimum distance of 233 feet from lease lines. Of the 27 wells which have W-12's, only 4 wells have surface locations closer than 233 feet from the nearest lease line and these four wells have been granted exceptions to Rule 37 for the Big Foot (Olmos D-3 Sand) Field. However, the Jane Burns A No. 263 and the Jane Burns A No. 264 are 26 feet and 28 feet, respectively, from the nearest lease line and the accumulative total displacement in these two wells are 46 feet and 40 feet, respectively. It is possible that these two wells have bottomhole locations which are not beneath the Jane Burns A lease.

None of the subject wells have been assigned an allowable since the deepening but the wells continue to produce, based on the production reported from the subject leases. The Jane Burns A lease is overproduced approximately 95,000 BO and 50 MMCF of gas. The majority of the problem wells are on this lease. The potentials of most of the wells are less than 10 BOPD, but some are 30-35 BOPD.

No further response was received from Maverick until June 2010 after the examiners advised Maverick that unless the required information was submitted, the application would be dismissed for lack of prosecution. Maverick submitted additional information, however, the information remained incomplete and inaccurate.

#### **EXAMINERS' OPINION**

The examiners recommend that the application be denied. Maverick gave no reason for disregarding Commission rules regarding inclination surveys other than an admission that they were unaware of the rule. Maverick presented no evidence that approval of the application was necessary to prevent waste or protect correlative rights for any of the deepened wells.

The evidence provided at the hearing in November 2009 was very limited and the examiners requested additional information from Maverick to support the application. It was determined that the request for hearing was significantly in error regarding an accurate list of wells in violation of Rule 11. Maverick filed additional data in April 2009 but the data was still inaccurate. In June 2009, Maverick filed additional data which still contained numerous inaccuracies. This data is inadequate to approve an exception for any particular well.

**FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice at least ten (10) days prior to the hearing.
2. Beginning in 2007, Maverick Energy Group, Inc. deepened many wells from the Olmos B sand to the Olmos D Sand. Permits were issued allowing deepening of the subject wells from the Big Foot Field (which is the Olmos B Sand) to the Big Foot (Olmos D-3 Sand) Field.
3. Maverick deepened at least 49 wells deeper than 300 feet and did not run an inclination survey for the deepened portion of the wells as required by Statewide Rule 11 (b)(1)(E).
4. Of the 49 wells deepened, 27 wells have original W-12 Inclination surveys. Original W-12 surveys could not be located for the remaining wells.
5. The average accumulative total displacement indicated for wells with available W-12's is about 42 feet, but ranges from 20 to 80 feet.
6. Field rules for the Big Foot (Olmos D-3 Sand) Field require a minimum distance of 233 feet from lease lines. At least two wells, the Jane Burns A No. 263 and the Jane Burns A No. 264 have accumulative total displacements greater than the distance to the lease line.
7. The Jane Burns A lease is overproduced approximately 95,000 BO and 50 MMCF of gas. The majority of the problem wells are on this lease. The potentials of most of the wells are less than 10 BOPD, but some are 35-30 BOPD.

**CONCLUSIONS OF LAW**

1. Proper notice was timely given to all parties entitled to notice pursuant to applicable statutes and rules.
2. All things have occurred and have been accomplished to give the Commission jurisdiction in this case.
3. Rule 11(b) (1) (E) requires that an inclination surveys be run on a well deepened more than 300 feet.
4. Approval of the requested exception to Statewide Rule 11(b) (1) (E) is not necessary to prevent waste or protect correlative rights.

**EXAMINER'S RECOMMENDATION**

It is recommended that the application of Maverick Energy Group, Inc. for Rule 11 exceptions for 49 wells in the Big Foot (Olmos D-3) Field be denied and that all wells in violation of Rule 11 be immediately shut-in.

Respectfully submitted,

Handwritten signature of Mark J. Helmueller in cursive, with the initials 'MJE' written below it.

Mark J. Helmueller  
Hearings Examiner

Handwritten signature of Donna K. Chandler in cursive.

Donna K. Chandler  
Technical Examiner