# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 08-0280933**

---

**THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. TO AMEND TEMPORARY FIELD RULES FOR THE WOLFBONE (TREND AREA) FIELD, PECOS, REEVES AND WARD COUNTIES, TEXAS**

---

**HEARD BY:** Andres J. Trevino, P.E. - Technical Examiner
Terry Johnson - Legal Examiner

**PFD PREPARED BY:** Richard D. Atkins, P.E. - Technical Examiner

| **APPEARANCES:** | **REPRESENTING:** |
|---|---|
| **APPLICANT:** | |
| Doug Dashiell<br>Rick Johnston | Clayton Williams Energy, Inc. |
| **PROTESTANT:** | |
| Dan Gutierrez | Texas General Land Office |
| **INTERESTED PARTY:** | |
| Clark Jobe | Red Willow Production, LLC |

**PROCEDURAL HISTORY**

| | |
|---|---|
| Application Filed: | February 20, 2013 |
| Notice of Hearing: | March 4, 2013 |
| Hearing Held: | March 18, 2013 |
| Record Closed: | March 18, 2013 |
| Proposal for Decision Issued: | November 14, 2013 |

## EXAMINERS' REPORT AND PROPOSAL FOR DECISION

## STATEMENT OF THE CASE

Temporary Field Rules for the Wolfbone (Trend Area) Field were adopted in Final Order No. 08-0265981, effective November 30, 2010, as amended. The current Temporary Field Rules in effect until November 30, 2013, for the field are summarized as follows:

1. Designation of the field as the correlative interval from 8,070 feet to 13,092 feet as shown on the log of the Shell Western E&P - Sinclair Collier Lease, Well No. 1;

2. 467'-933' vertical well spacing, no minimum between well spacing requirement between horizontal drainhole wells and vertical wells or other horizontal drainhole wells with special provisions for "take-points", 50' "box" rule and "off-lease" penetration point for horizontal drainhole wells;

3. 320 acre density for gas wells and 160 acre density for oil wells with optional 40 acre density for both oil and gas wells and no filing of proration unit plats for individual wells;

4. Gas allocation based on 75% acres and 25% deliverability with AOF status and oil allocation based on 75% acres and 25% per well;

5. Special provisions for an exception to Statewide Rule 13 for not running tubing in a flowing oil well;

6. Special provisions for an exception to Statewide Rule 51 for the timing of filing completion papers.

Clayton Williams Energy, Inc. ("Williams") requests that the Temporary Field Rules be amended to provide for 320 acre oil units with optional 40 acre density and the assignment of additional acreage to horizontal drainhole wells based on a table, but not to exceed 704 acres.

The application was protested by the Texas General Land Office, who is a mineral owner in the field area. The protestant opposes the proposed changes to the density rule for the field and believes that the proposed 320 acre density for oil wells will result in operators being allowed to hold acreage under leases without adequate development of the leases.

The examiners recommend that the application of Williams to amend Temporary Field Rules for the Wolfbone (Trend Area) Field to provide for 320 acre oil units be denied.

## DISCUSSION OF THE EVIDENCE

The Wolfbone (Trend Area) Field was created in November 2010 by the consolidation of twelve Bone Spring and Wolfcamp formation fields. The average depth of the consolidated field is 8,100 feet and the field is classified as associated-100% AOF. There are two producing gas wells, 143 producing oil wells and 18 operators carried on the proration schedules. The field operates under Temporary Field Rules that provide for 467'-933' well spacing, 320 acre gas units, 160 acre oil units and optional 40 acre density for oil and gas wells. The correlative interval for the field includes the entire Bone Spring and Wolfcamp formations and is over 5,000 feet thick. Cumulative production from the field through December 2012 is 15.5 BCFG and 9.3 MMBO.

### Applicant's Evidence

Williams requests that the Temporary Field Rules be amended to provide for 320 acre oil units with optional 40 acre density and the assignment of additional acreage to horizontal drainhole wells based on a table, but not to exceed 704 acres. The requested density rule is based primarily on field rules already in effect for other Wolfcamp and Bone Spring fields in the Delaware Basin. Williams submitted a drainage area calculation for one vertical and two horizontal drainhole wells from the nearby Phantom (Wolfcamp) Field. The vertical well had 36 feet of net pay and the two horizontal drainhole wells each had 32 feet of net pay. The calculated drainage area for the vertical well was 291 acres and the two horizontal drainhole wells averaged approximately 550 acres.

In addition, Williams submitted a drainage area calculation for one lease in the field that contained five vertical wells, the J. Cleo Thompson - Graves State Lease. The estimated average ultimate recovery per well was 128,800 BO. Based on the reservoir parameters for the initial Well No. 1 which had 16 feet of net pay, the calculated average drainage area per well was 256 acres. Williams opined that the field was heterogeneous and contained sweet spots that would drain more than 160 acres. Based on the drainage area calculations, Williams believes that 320 acre density for oil wells is justified. Also, the optional 40 acre density rule is necessary for wells which have a lesser capability and is common in many of the fields in the area.

### Protestant's Position and Evidence

The application was protested by the Texas General Land Office, who is a mineral owner in the field area. The protestant opposes the proposed changes to the density rule for the field and believes that the proposed 320 acre density for oil wells will result in operators being allowed to hold acreage under leases without adequate development of the leases. Generally, they believe that Williams should have to prove that wells in each of the twelve fields that were previously consolidated are capable of draining the areas requested for the amended density rule. The Protestant does not believe that Williams

presented sufficient evidence to support the requested 320 acre density for oil wells. None of the twelve fields that were previously consolidated into the Wolfbone (Trend Area) Field had field rules providing for more than 160 acres per well and most of the fields were on Statewide Rules.

## EXAMINERS' OPINION

The Wolfbone (Trend Area) Field was created in November 2010 by the consolidation of twelve Bone Spring and Wolfcamp formation fields that encompassed three counties. The correlative interval for the field includes the entire Bone Spring and Wolfcamp formations and is over 5,000 feet thick. The area map presented at the hearing showed that a majority of the field had four wells permitted or drilled on a 640 acre tract, which represents 160 acre density. None of the twelve fields that were consolidated into the Wolfbone (Trend Area) Field had field rules providing for more than 160 acres per well and most of the fields were on Statewide Rules. The density for each of the twelve fields that now make up the Wolfbone (Trend Area) Field at the time of consolidation were:

| FIELD | DENSITY |
|---|---|
| Balmorhea Ranch (Bone Springs) | 40 acres - Statewide Rules |
| Blount (Bone Spring) | 40 acres - Statewide Rules |
| Cable (Wolfcamp) | 40 acres - Statewide Rules |
| Guthrie (Wolfcamp) | 40 acres - Statewide Rules |
| Hoban (Bone Springs) | 160 acres with optional 40 acres |
| Hoban (Wolfcamp) | 160 acres with optional 40 acres |
| Hoban, S. (Wolfcamp) | 40 acres - Statewide Rules |
| Marsden (Permian) | 40 acres - Statewide Rules |
| Ripplinger (Wolfcamp) | 40 acres |
| Rojo Caballos (Wolfcamp) | 40 acres - Statewide Rules |
| Toro (Wolfcamp) | 40 acres - Statewide Rules |
| Worsham-Bayer (Wolfcamp) | 40 acres - Statewide Rules |

Williams only presented drainage area calculations for one lease which contained five vertical wells. The calculated average drainage area per well was 256 acres, but the calculations were based on the reservoir parameters for the initial Well No. 1 which had only 16 feet of net pay. No well logs, cross-sections or structure and net pay isopach maps were presented to verify the reservoir parameters or show what net pay would be present in the 5,000 foot thick correlative interval. As a result, Williams failed to meet its burden of proof.

As a result, the examiners do not believe the drainage area calculations presented on one lease in a field encompassing a three county area are indicative that a vertical well drilled with current technology can reasonably be expected to drain more than 160 acres. Williams also acknowledged that the optional 40 acre density rule is necessary for wells which have a lesser capability and is common in many of the fields in the area. The

examiners recommend that the application of Williams to amend Temporary Field Rules for the Wolfbone (Trend Area) Field to provide for 320 acre oil units be denied.

## FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.

2. The Wolfbone (Trend Area) Field was created in November 2010 by the consolidation of twelve Bone Spring and Wolfcamp formation fields.

   a. The average depth of the consolidated field is 8,100 feet and the field is classified as associated-100% AOF.

   b. There are two producing gas wells, 143 producing oil wells and 18 operators carried on the proration schedules.

   c. The field operates under Temporary Field Rules that provide for 467'-933' well spacing, 320 acre gas units, 160 acre oil units and optional 40 acre density for oil and gas wells.

3. Adoption of a density rule providing for 320 acre units is not appropriate for the Wolfbone (Trend Area) Field.

   a. None of the twelve fields that were previously consolidated into the Wolfbone (Trend Area) Field had field rules providing for more than 160 acres per well and most of the fields were on Statewide Rules.

   b. The correlative interval for the field includes the entire Bone Spring and Wolfcamp formations and is over 5,000 feet thick.

   c. The area map presented at the hearing showed that a majority of the field had four wells permitted or drilled on a 640 acre tract, which represents 160 acre density.

   d. Drainage area calculations for one lease which contained five vertical wells estimated an average drainage area per well of 256 acres. The calculations were based on the reservoir parameters for the initial Well No. 1, which had only 16 feet of net pay within the 5,000 foot thick correlative interval of the field.

   e. No well logs, cross-sections or structure and net pay isopach maps were presented to verify the reservoir parameters or show what net pay would be present in the 5,000 foot thick correlative interval.

f. Although the field is heterogeneous and contains sweet spots, the drainage area calculations presented on one lease in a field encompassing a three county area are not indicative that a vertical well drilled with current technology can reasonably be expected to drain more than 160 acres.

g. Optional 40 acre density rule is necessary for wells which have a lesser capability and is common in many of the fields in the area.

## CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued by the Railroad Commission to appropriate persons legally entitled to notice.

2. All things necessary to the Commission attaining jurisdiction over the subject matter and the parties in this hearing have been performed.

3. The applicant failed to meet its burden of proof.

4. Adoption of the proposed 320 acre oil units for the Wolfbone (Trend Area) Field will not prevent waste, protect correlative rights or promote development of the field.

## EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission deny Clayton Williams Energy, Inc.'s application to amend Temporary Field Rules for the Wolfbone (Trend Area) Field to provide for 320 acre oil units.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner

Terry Johnson
Hearings Examiner