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OIL & GAS SECTION

RAILROAD COMMISSION OF TEXAS LEGAL DIVISION

RULES 37 AND 38 CASE NO. 0208537

APPLICATION OF ENRON OIL & GAS COMPANY FOR A RULE 37 AND A RULE 38
EXCEPTION TO DRILL WELL NO. 2, YOUNG TRUST UNIT, ALLISON PARKS (MORROW,
UPPER) AND WILDCAT FIELDS, HEMPHILL COUNTY, TEXAS

APPEARANCES:

FOR APPLICANT:

John Soule (Attorney)
Arthur L. Pacquett
Greg Cloud
Terry Payne

APPLICANT:

Enron Oil & Gas Company

FOR PROTESTANT:

George C. Neale (Attorney)

PROTESTANT:

Sonat Exploration Company

PROPOSAL FOR DECISION

PROCEDURAL HISTORY

APPLICATION FILED:
NOTICE OF HEARING:
HEARING DATE:
TRANSCRIPT RECEIVED:
HEARD BY:

April 11, 1995
April 13, 1995
June 22, 1995
July 10, 1995
Meredith Kawaguchi, Legal Examiner
Thomas Richter, Technical Examiner
August 8, 1995
Protested

PPD CIRCULATION DATE:
CURRENT STATUS:

STATEMENT OF THE CASE

Enron Oil & Gas Company ("Enron") has requested an exception to Statewide Rules 37 and 38 to drill a second well on the 640 acre Young Trust Unit to the Allison Parks (Morrow, Upper) and Wildcat (above 5,000') Fields.

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Proposed Well No. 2 requires a Rule 37 exception because it is too close to the existing well, the Young Trust Unit Well No. 1. Field rules require a distance of 3,735', whereas the proposed well will be 3,672' from Well No. 1. The proposed well is regular to all lease lines. A Rule 38 exception is necessary because Well No. 2 will be the second well on 640 acres; field rules require a density of 640 acres per well.

Enron proposed placing Well No. 2 at a distance of 467' from the Unit's west line and 1,090' from the Unit's south line. Sonat Exploration Company ("Sonat"), the protestant in this docket, operates wells to the south and southwest of the Young Trust Unit. At the hearing Sonat proposed an alternate location for Well No. 2, which is also a Rule 37 exception location but is further from the Unit's south lease line and, hence, presents less of a drainage threat to Sonat. Enron has no objection to the alternate location. After the hearing, Sonat waived its protest in regard to a well at the alternate location. The alternate location is 800' from the unit's west line, 2,100' from the south line, and 2,870' from Well No. 1, the existing well on the Unit. Enron requested that if the alternate location is approved, Enron be allowed a radius of 150' in which to stake the location because of the extremely rough terrain in the area. Sonat raised no objection to the request for a 150' radius in which to stake the well.

Because the only protestant has waived objection to the alternate Rule 37 location, the examiners recommend that it be approved. To obtain an exception to Statewide Rule 38, Enron must prove that a second well on the 640 acre Young Trust Unit is necessary to prevent waste or confiscation.

Enron presented a direct case. The protestant did not present any evidence.

DISCUSSION OF THE EVIDENCE

Enron did not attempt to prove that proposed Well No. 2 will prevent waste. Its evidence does show, however, that a second well is necessary to allow Enron to recover its share of hydrocarbons from the reservoir.

Enron's only participation in production from the drainage area in the vicinity of the Young Trust Unit is through Well No. 1 on that Unit. Original recoverable reserves under the Unit amount to 22.679 billion cubic feet (BCF). The existing Well No. 1 is expected to recover ultimately 15 BCF, leaving remaining gas of 7.679 BCF. Current recoverable reserves under the Unit are 11.343 BCF; the reserves that remain accessible to Well No. 1 are 4.896 BCF, leaving 6.447 BCF available to a second well. Original gas in place less current gas in place (26.405 BCF minus 15.069 BCF) is 11.336 BCF. The Young Trust Well No. 1 has recovered only 10.104 BCF. Therefore, 1.232 BCF (11.336 BCF minus 10.104 BCF) have been drained from under the Young Trust Unit.

The Young Trust Unit is surrounded by tracts on which there are producing wells. To the west, northwest, and north of the Unit are 640 acre sections with two producing wells in the Allison Park (Morrow, Upper) Field. Rule 38 exceptions were sought and obtained for these tracts in the Allison Park (Morrow, Upper) Field. These tracts with two producing wells are situated in the "sweet spot" of the reservoir, that area with the greatest amount of hydrocarbon pore volume, as depicted on an isopach map presented by Enron. Based on the isopach map and the number of wells in the more productive areas, two wells appear necessary to allow an operator in these areas to recover his share of the reservoir.

Without the requested Rule 38 exception, drainage of the Young Trust Unit will continue, and the interest owners will be denied an opportunity to recover the gas underlying their Unit.

FINDINGS OF FACT

1. At least ten (10) days' notice of this hearing was given to the designated operator, all lessees of record for tracts that have no designated operator, and all owners of unleased mineral interests for each tract adjacent to the Young Trust Unit and each tract nearer to the well than the prescribed minimum lease line spacing distance.
2. The application for Rule 37 and Rule 38 exceptions was properly filed by Enron Oil & Gas Company (applicant) on Form W-1 (Application to Drill, Deepen, Plug Back or Re-enter).
3. The applicant seeks an exception to Rule 37 to drill Well No. 2, which is closer to Well No. 1, the existing well on the Young Trust Unit, than the applicable field rules allow.
4. The applicant seeks an exception to Rule 38 to drill Well No. 2 as a second well on the 640 acre Young Trust Unit, which is a greater well density than the applicable field rules allow.
5. The applied for fields and field rules are:

Allison Parks (Morrow, Upper)
467/3735/640 acres
Wildcat (above 15,000')
467/1200/40 acres

6. The protestant herein, Sonat Exploration Company, waived its protest in regard to an alternate Rule 37 location, which is 800 from the west line and 2100' from the south line, with a radius of 150' in which to stake the proposed well.

7. The applicant has no objection to the alternate Rule 37 location.
8. The original recoverable reserves underlying the Young Trust Unit were 22.679 BCF; current recoverable reserves are 11.343 BCF.
9. The existing well on the Unit, Well No. 1, will ultimately recover approximately 15 BCF. The reserves currently underlying the Unit that are recoverable by Well No. 1 are 4.896 BCF.
10. Of the original reserves that were under the Young Trust Unit, 7.679 BCF will not be recovered by Well No. 1 on the Unit; the reserves currently under the Unit that will not be recovered by Well No. 1 are 6.447 BCF.
11. Enron Oil & Gas Company does not participate in production from any well draining the Allison Parks (Morrow, Upper) Field in the vicinity of the Young Trust Unit.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued by the Railroad Commission to all 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. A Rule 37 exception at an alternate location was proposed by the protestant and accepted by the applicant.
4. The alternate Rule 37 exception location for the subject well, 800 FWL and 2100' FSL, with a 150' radius in which to stake the well, may be approved pursuant to Rule 37(h)(2)(B).
5. The requested Rule 38 exception for Well No. 2, Young Trust Unit, in the Allison Parks (Upper, Morrow) and Wildcat Fields, is necessary to provide Enron Oil & Gas Company with a reasonable opportunity to recover its share of hydrocarbons from beneath the subject Unit.

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RECOMMENDATION

Based on the foregoing findings of fact and conclusions of law, the examiners recommend that Enron's application for a Rule 38 exception be approved; it is further recommended that Enron be granted a Rule 37 exception at an alternate location, which the applicant accepted and for which the protestant waived objection.

Respectfully submitted,

Meredith Kawaguchi

Meredith Kawaguchi
Legal Examiner

Thomas H. Richter

Thomas Richter
Technical Examiner

MFKds