

**OIL AND GAS DOCKET NO. 09-0256404**

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**THE APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR EXCEPTION TO RULE 86 (D)(4) FOR ITS PEARL RANCH UNIT "A" WELL NO. 401-H, NEWARK, EAST (BARNETT SHALE) FIELD, TARRANT COUNTY, TEXAS**

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**HEARD BY:** Donna K. Chandler, Technical Examiner

**HEARING DATE:** May 6, 2008

**APPEARANCES:**

Flip Whitworth  
Rick Johnston  
Sharon Cook  
Derek Anderson

**REPRESENTING:**

EnCana Oil & Gas (USA), Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

EnCana Oil & Gas (USA), Inc. requests an exception to Rule 86(d)(4) for its Pearl Ranch Unit "A" No. 401-H. An exception is necessary because the penetration point, as defined by Rule 86, is not on the 55.23 Pearl Unit "A" lease. EnCana further requests that all accrued overproduction for the well be canceled.

This application was unopposed and the examiner recommends approval of the requested exception to Statewide Rule 86.

**DISCUSSION**

Pertinent definitions in Statewide Rule 86 are as follows:

86(a)(2) **Horizontal Drainhole:** that portion of the wellbore drilled in the correlative interval, between the penetration point and the terminus.

86(a)(3) **Horizontal Drainhole Displacement:** the calculated horizontal displacement of the horizontal drainhole from the penetration point to the terminus.

86(a)(5) **Penetration Point:** the point where the drainhole penetrates the top of the correlative interval.

86(a)(6) **Terminus:** the farthest point required to be surveyed along the horizontal drainhole from the penetration point and within the correlative interval.

Additionally, Statewide Rule 86(d)(4) requires that all points on a horizontal drainhole be within the proration and drilling unit.

In Oil and Gas Docket No. 09-0242843, the following rule was adopted for the Newark, East (Barnett Shale) Field:

Provided, however, that for purposes of the lease line spacing requirement for horizontal wells, the following shall apply:

1. Where the horizontal portion of the well is cased and cemented back above the top of the Barnett Shale formation, the distance to any property line, lease line or subdivision line will be calculated based on the distance to the nearest perforation in the well, and not based on the penetration point or terminus;
2. Where an external casing packer is placed in the well and cement is pumped above the external casing packer to a depth above the top of the Barnett Shale formation, the distance to any property line, lease line or subdivision line will be calculated based on the top of the external casing packer or the closest open hole section in the Barnett Shale.

#### Pearl Ranch Unit "A" Well No. 401-H

On July 30, 2007, EnCana was granted an administrative exception to Rule 37 to drill its No. 401-H on the 108.69 acre Pearl Ranch Unit "A" lease. The surface location and the entire wellbore were permitted on the 108.69 acre lease. However, by the time the well was drilled in December 2007, 53 acres of the lease had been assigned to other wells. As-drilled, the surface location and the penetration point are not located on the remaining 55.23 lease acreage. On April 23, 2008, EnCana filed Form W-1 for the as-drilled location of the well. The well requires a lease-line exception to Rule 37 but EnCana is the only offsetting operator. The permit has not yet been approved.

Also on April 23, 2008, EnCana filed completion papers for the well. Commission staff notified EnCana that completion papers for the well could not be processed and an allowable could not be assigned because the penetration point was off-lease, and in violation of Rule 86 because a portion of the horizontal drainhole, as defined by Rule 86, would not be on the lease.

The subject well is drilled to a total depth of 10,415 feet (MD) and is cased and cemented, with top of cement behind the casing calculated to be at 5,050 feet (MD). The penetration point of the Barnett Shale is 6,452 feet (MD). The perforations are from 8,433 feet to 10,341 feet (MD). The uppermost perforation is 80 feet from the nearest lease line and the lowermost perforation is also 209 feet from the nearest lease line. The penetration point, as defined by Rule 86, is approximately 366 feet off the subject 55.23 acres.

EnCana requests that the requested exception be granted to allow the well to produce. EnCana has an agreement with the surface owner of the tract on which the surface location for the well is located. EnCana is also the lessee of the oil and gas leases covering all mineral interests in the tract on which the surface location is located. EnCana is the lessee of oil and gas leases covering all mineral interests in the tracts from the well's penetration point off-lease to the terminus on the Pearl Ranch Unit "A" Unit. EnCana is also the lessee of oil and gas leases covering all mineral interests in the tracts within 330 feet of the subject well from its penetration point off-lease to its terminus.

#### **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. Statewide Rule 86(d)(4) requires that all points on a horizontal drainhole be within the proration and drilling unit for a well.
3. Field rules for the Newark, East (Barnett Shale) Field provide that, for purposes of the lease line spacing requirement for horizontal wells which are cased and cemented back above the top of the Barnett Shale formation, the distance to any property line, lease line or subdivision line will be calculated based on the distance to the nearest perforation in the well, and not based on the penetration point or terminus.
4. EnCana was granted an exception to Rule 37 to drill the Pearl Ranch Unit "A" Well No. 401-H on July 30, 2007, on a 108.69 acre lease.
  - a. The surface location, penetration point and terminus were located on the 108.69 acre lease.
  - b. By the time the well was drilled in December 2007, 53 acres of the 108.69 acre lease had been assigned to other wells.
  - c. The as-drilled surface location and penetration point, as defined by Rule 86, are located off the remaining 55.23 acre lease.
  - d. EnCana has filed for an amended permit for the as-drilled location of the well. Encana is the only offsetting operator to the as-drilled well.

5. Completion papers for the well could not be processed and an allowable could not be assigned because the penetration point was off-lease, and in violation of Rule 86 because a portion of the horizontal drainhole, as defined by Rule 86, would not be on the subject 55.23 acre lease acreage.
6. The subject well is drilled to a total depth of 10,415 feet (MD) and is cased and cemented, with top of cement behind the casing at 5,050 feet (MD). The penetration point of the Barnett Shale is 6,452 feet (MD). The perforations are from 8,433 feet to 10,341 feet (MD).
7. The horizontal drainhole displacement for the Pearl Ranch Unit "A" Well No. 401-H shall be the distance between the perforations, which is 1,908 feet.
8. EnCana is the lessee of a surface lease from the surface owner of the tract on which the surface location of the Pearl Ranch Unit "A" Well No. 401-H is located. EnCana is also the lessee of the oil and gas leases covering all mineral interests in the tract on which the surface location, penetration point and terminus of the Pearl Ranch Unit "A" Well No. 401-H are located. EnCana is the lessee of oil and gas leases covering all mineral interests in the tracts within 330 feet of the Pearl Ranch Unit "A" Well No. 401-H from its penetration point off-lease to its terminus.

#### **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. The requested exception is not intended to circumvent Commission rules regarding spacing and assignment of acreage.
4. Approval of the requested exception to Rule 86(d)(4) will not cause waste and will not harm correlative rights.

#### **EXAMINER'S RECOMMENDATION**

The examiner recommend that the requested exception to Rule 86(d)(4) be approved for the Pearl Ranch Unit "A" Well No. 401-H to allow the penetration point, as defined by Rule 86, to be off-lease.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner