



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 03-0280185**

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**THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. TO RENUMBER AND AMEND FIELD RULES FOR THE GIDDINGS (AUSTIN CHALK-3) FIELD, BRAZOS, BURLESON, FAYETTE, GRIMES, LEE, MADISON AND WASHINGTON COUNTIES, TEXAS**

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**HEARD BY:** Richard D. Atkins, P.E. - Technical Examiner  
Laura Miles-Valdez - Legal Examiner

**HEARING DATE:** January 30, 2013

**APPEARANCES:** **REPRESENTING:**

**APPLICANT:**

Doug Dashiell  
Rick Johnston

Clayton Williams Energy, Inc.

**OBSERVER:**

Skipper Lay

Mona Schade

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Field Rules for the Giddings (Austin Chalk-3) Field were adopted in Final Order No. 3-66,660, effective February 7, 1977, as amended. The Field Rules are summarized as follows:

1. 467'-1,200' well spacing;
2. 160 acre oil units with optional 80 acre density;
3. Allocation based on 100% acres with a field GOR of 4,000 cubic feet per barrel;
4. Special formula for allocating acreage to horizontal drainhole wells.

Clayton Williams Energy, Inc. ("Williams") requests that the Field Rules for the Giddings (Austin Chalk-3) Field be renumbered and amended as shown below:

1. Designated correlative interval from 6,805 feet to 7,588 feet as shown on the log of the Clayton Williams Energy, Inc. - Lehman OL Unit, Well No. 1 Pilot Hole (API No. 42-287-32574);
2. 467'-1,200' well spacing with special provisions for "take points", 50' "box rule" and "off-lease" penetration point for horizontal drainhole wells;
3. 160 acre oil units with optional 80 acre density;
4. Allocation based on 100% acres with a field GOR of 4,000 cubic feet per barrel;
5. Special formula for allocating acreage to horizontal drainhole wells.

The examiners recommend that the Field Rules for the Giddings (Austin Chalk-3) Field be renumbered and amended, as requested by Williams.

### **DISCUSSION OF EVIDENCE**

The Giddings (Austin Chalk-3) Field was discovered in October 1960 at an average depth of 7,500 feet. There are 1,849 producing oil wells carried on the oil proration schedule. The field operates under Field Rules that provide for 467'-1,200' well spacing, 160 acre oil units with optional 80 acre density, allocation based on 100% acres with a field GOR of 4,000 cubic feet per barrel and a special formula for allocating acreage to horizontal drainhole wells. Cumulative production from the field through September 2012 is 490.1 MMBO and 2.1 TCFG.

There is currently no defined correlative interval for the field. Williams requests that the field be defined as the correlative interval from 6,805 feet to 7,588 feet as shown on the log of the Clayton Williams Energy, Inc. - Lehman OL Unit, Well No. 1 Pilot Hole (API No. 42-287-32574), Samuel Gates Survey, A-10, Lee County, Texas. The correlative interval includes the entire Austin Chalk formation.

Williams is proposing to drill horizontal infill wells and requests Field Rules to promote the efficient and effective development of the remaining hydrocarbons. Williams proposes similar horizontal drainhole well Field Rules for the Giddings (Austin Chalk-3) Field that have been approved for other horizontal plays. Williams requests that the Field Rules be renumbered and amended to provide for 467'-1,200' well spacing with special provisions for "take points", 50' "box rule" and "off-lease" penetration point for horizontal drainhole wells. Similar rules have been adopted in other tight reservoirs, including the Eagle Ford, Wolfcamp, Bone Springs, Cotton Valley and Barnett Shale formations.

Williams requests that a Field Rule be adopted which includes language relevant to the measurement of distances to lease lines for horizontal drainhole wells. Williams's proposed rule specifies that, for purposes of lease line spacing, the nearest "take point" in a horizontal well be used. This take-point could be a perforation in a horizontal well that is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased well. For purposes of the assignment of additional acreage pursuant to Field Rule No. 5, it is proposed that the distance between the first and last take-point in a horizontal drainhole well be used.

Williams proposes a "tolerance box" for horizontal drainhole wells that would allow drainholes to deviate 50 feet from either side of their permitted track without the necessity of obtaining a Statewide Rule 37 exception. As drilled wells for which all points are located within the "box" would be considered in compliance with their drilling permits.

In some cases, it is beneficial to penetrate the reservoir off lease, while still having "take points" no closer to lease lines than allowed under the field rules. Williams requests that Field Rules for the subject field provide for an "off-lease" penetration point. Statewide Rule 86 requires that the penetration point of a horizontal drainhole be on the lease. In this field, a well generally requires approximately 500 feet of horizontal displacement to make the 90 degree turn from vertical to horizontal. If the penetration point is required to be on the lease, then the first point of production would be about 500 feet from the lease line spacing of 467 feet. The proposed rule will allow approximately 500 feet of additional producing drainhole, which will result in the recovery of additional reserves. The Commission has adopted similar rules allowing offsite penetration points in other fields, after the operator has given notice to the mineral owners of the off-lease tract on which the penetration point is to be located and received no protest.

#### **FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Giddings (Austin Chalk-3) Field was discovered in October 1960 at an average depth of 7,500 feet.
  - a. There are 1,849 producing oil wells carried on the oil proration schedule.
  - b. The field operates under Field Rules that provide for 467'-1,200' well spacing, 160 acre oil units with optional 80 acre density, allocation based on 100% acres with a field GOR of 4,000 cubic feet per barrel and a special formula for allocating acreage to horizontal drainhole wells.

- c. The field is actively being developed with infill horizontal drainhole wells.
3. The Giddings (Austin Chalk-3) Field should be defined as the correlative interval from 6,805 feet to 7,588 feet as shown on the log of the Clayton Williams Energy, Inc. - Lehman OL Unit, Well No. 1 Pilot Hole (API No. 42-287-32574), Samuel Gates Survey, A-10, Lee County, Texas. The correlative interval includes the entire Austin Chalk formation.
4. A spacing Field Rule which utilizes "take-points" in a horizontal well for determination of distances to lease lines will prevent waste and will not harm correlative rights.
  - a. A take-point in a horizontal well in this field may be a perforation in a horizontal well that is cased and cemented, an external casing packer in a cased well, or any open-hole section in an uncased portion of the wellbore.
  - b. Adoption of the proposed rule will allow the horizontal drainhole length on a lease to be maximized.
  - c. For purposes of assignment of additional acreage pursuant to Field Rule No. 5, the distance between the first and last take-points in a horizontal well should be used.
5. The proposed 50' "box rule" is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
6. Allowing an "off-lease" penetration point will result in maximum producing drainhole length, thereby increasing ultimate recovery from horizontal drainhole wells. To protect correlative rights, prior notice and opportunity to object should be given to the mineral owners of "off-lease" surface locations.
7. Similar rules have been adopted in other tight reservoirs, including the Eagle Ford, Wolfcamp, Bone Springs, Cotton Valley and Barnett Shale formations.

#### **CONCLUSIONS OF LAW**

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.

3. Renumbering and amending the Field Rules for the Giddings (Austin Chalk-3) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission renumber and amend the Field Rules for the Giddings (Austin Chalk-3) Field, as requested by Clayton Williams Energy, Inc.

Respectfully submitted,



Richard D. Atkins, P.E.  
Technical Examiner



Laura Miles-Valdez  
Legal Examiner