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Rule 37/38 Case No. 0205797

APPLICATION OF INDEXGEO AND ASSOCIATES, INC. FOR AN EXCEPTION TO STATEWIDE RULES 37 AND 38 TO DRILL ITS NO. 1 WELL, LEEPER LEASE, SCHROEDER (3400), SCHROEDER (FRIO 3380), SCHROEDER (3270), SCHROEDER (FRIO 3200), SCHROEDER (FRIO 3100), NURSERY S. (2960), STRAPP (FRIO -B-), NURSERY, S. (2160), SCHROEDER (MIOCENE 1500) AND WILDCAT FIELDS, VICTORIA COUNTY, TEXAS

APPLICANT: Indexgeo and Associates, Inc.

FOR APPLICANT: Stanley M. Leventhal - President

PROTESTANTS: Mrs. Irwin Schweinburg
Laddie F. Janda
Dean R. Matson

PROCEDURAL HISTORY

Application Filed:	June 3, 1994
Notice of Hearing:	July 12, 1994
Hearing Held:	August 9, 1994
PFD Circulated:	November 3, 1994
Heard by:	David Clarkson, Hearings Examiner Charles Dickson, Technical Examiner

STATEMENT OF THE CASE

Applicant, Indexgeo and Associates, Inc. ("Indexgeo"), is the working interest owner of a 20.14 acre tract located in Victoria County, Texas. Applicant is seeking to drill its first well on the lease. Mrs. Irwin Schweinburg, Laddie F. Janda and Dean R. Matson, ("Protestants") are the mineral interest owners of the tracts of land along part of the northern edge, along the entire western boundary and the entire eastern boundary of the proposed location, respectively. The proposed well, the Leeper Lease Well No. 1, is a vertical well with a proposed completion in the Schroeder (3400), Schroeder (Frio 3380), Schroeder (3270), Schroeder (Frio 3200), Schroeder (Frio 3100), Nursery S. (2960), Strapp (Frio -B-), Nursery, S. (2160), Schroeder (Miocene 1500) and Wildcat Fields. Field rules for all fields require 467'/1200' spacing with a 40 acre density pattern.

The surface location is 188 feet from north line, and 205 feet from the east line of the lease. Applicant is seeking an exception to Statewide Rule 37 (16 TEX ADMIN. CODE §3.37) and Statewide Rule 38 (16 TEX ADMIN. CODE §3.38) to prevent waste.

DISCUSSION OF THE EVIDENCE

Indexgeo drills prospects which it identifies from seismic bright spots. The proposed well is on such a stratigraphic prospect. Applicant presented a structure map showing the limited extent of the structural nose containing the prospect.

Applicant's structure map was mapped on the top of the Vicksburg Sand. The contour map indicated an amoeba-shaped feature of approximately 20 to 30 acres. The stratigraphic play is confirmed by two seismic lines which were run over the nosing feature with north-south and east-west orientations. The reservoir contains an estimated 126,882 mcf of gas. The applicant testified that the feature is approximately 14 feet thick at its thickest point and slopes down to a zero sand thickness. The anticipated recovery factor is 450 mcf/ac-ft.

Applicant submitted a late-filed exhibit which shows the orientation of the anticipated reservoir in relation to the applicant's 20.14 acre lease. The reservoir underlies the northern half of the lease and extends approximately 200 feet beyond the eastern and western edge of the lease.

Applicant presented evidence that no existing or proposed well is or will be completed in the proposed target lens and no other well will recover the hydrocarbons in the reservoir. The proposed location is in the middle of the reservoir on a planer view and is therefore the most reasonable location on the lease. A regular location is only available on the thin edge of the reservoir and would not recover the reserves.

No technical evidence was presented by the protestants to contest the applicant's evidence. The protestants concern was the fact that they were not leased and included in the drilling unit for the well.

EXAMINERS' OPINION

The evidence shows that the drilling of a well at the proposed location will prevent the ultimate loss of at least 126.9 MMCF of gas. This is a substantial amount of hydrocarbons. The extremely small reservoir size and lenticular nature constitutes an "unusual conditions peculiar to the area where the well is sought to be drilled." Railroad Commission vs. Shell Oil Co., 139 Tex. 66,161 S.W.2d 1022 (1942). Because of this extremely small reservoir and its orientation beneath the lease, a regular location is only available on the thin edge of the reservoir. No well at a regular location will recover the reserves, thus making a regular location unfeasible. Thus an exception to Statewide Rule 37 and Rule 38 should be granted to prevent waste.

Protestant presented no direct case.

FINDINGS OF FACT

1. Notice of hearing was sent at least ten days prior to the hearing on February 5, 1993, to all designated operators, lessees of record for tracts that have no designated operator, and owners of record of unleased mineral interests for each adjacent tract and each tract nearer to the well than the prescribed minimum lease-line spacing distance.
2. Applicant Indexgeo and Associates, Inc. ("Indexgeo"), the working interest owner of the 20.14 acre drill site tract, has applied on Form W-1 for a permit to drill Well No. 1 on the Leeper Lease. Applicant proposes to drill its well at a surface location 500 feet from the southwest line and 188 feet from the north line of the lease, and 205 feet from the east line of the lease and 3901 feet from the southwest line of the survey and 1674 feet from the northwest line of the survey. Applicant has applied for completion of its proposed well in the Schroeder (3400), (Frio 3380), (3270), (Frio 3200), (Frio 3100), and (Miocene 1500) Fields and the Nursery, S. (2960) and (2160) Fields and the Strapp (Frio -B-) and Wildcat Fields, each having spacing rules of 467 feet from lease lines and 1200 feet between wells.
3. Applicant's tract contains 20.14 acres.
 - a. The target reservoir is a stratigraphic play picked from a "bright spot" on intersecting seismic lines.
 - b. The target reservoir is of limited areal extent and only covers 20 to 30 acres.
4. A well drilled at the proposed location will recover an estimated 126,882 mcf of gas.
 - a. The reservoir is estimated to have an average sand thickness of 14 feet and a recovery factor of 450 mcf/ac.-ft.
5. No well drilled at a regular location, either on or off the tract, will recover the hydrocarbons in the reservoir.
 - a. The reservoir exists only in the northern part of the lease.
 - b. An exception to the lease line spacing and density rules for the applied for fields is necessary to recover the hydrocarbons underlying the Applicant's lease. A well at a regular location will only encounter a thin edge of the reservoir and will not recover the reserves underlying the tract.
 - b. A well completed at the applied-for location will drain the reserves which would otherwise not be recovered.
6. The reservoir orientation, size, and lease geometry constitutes an unusual condition peculiar to the area where the well is sought to be drilled.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely given to all persons legally entitled to notice.
2. The application on Form W-1 was properly filed.
3. All things have occurred and have been done to give the Commission jurisdiction to decide this matter.
4. An exception to the lease line spacing requirements is necessary to permit drilling the applied for well.
5. Approval of a permit to drill a well at the proposed location is necessary to prevent waste of a substantial amount of hydrocarbons that would remain unrecovered by a well at a regular location.

RECOMMENDATION

The examiners recommend that the subject application be approved in accordance with the attached final order.

Respectfully submitted,

David Clarkson
David Clarkson
Hearings Examiner

Charles L. Dickson
Charles Dickson
Technical Examiner

DLC