



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0287042

THE APPLICATION OF ANLOC, LLC TO CONSIDER AN EXCEPTION TO STATEWIDE
RULE 11(c)(2)(a) REQUIRING THE FILING OF DIRECTIONAL SURVEY ON ITS
WARREN RANCH LEASE, WELL NO. 2, HOCKLEY FIELD, HARRIS COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Terry Johnson – Hearings Examiner

DATE OF HEARING: February 24, 2014

APPEARANCES: REPRESENTING:

APPLICANT:

Monica Drolet
Mike Coolures
James Trippon
Robert Dillon

ANLOC, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

ANLOC, LLC, is seeking an exception to Statewide Rule 11 with regard to the filing and certification of a directional survey for its Warren Ranch Well No. 2 in the Hockley Field, Harris County, Texas. The directional drilling and surveying company did not submit or certify the survey in accordance with Rules 11 and 12 and does not appear to have held an approved P-5 Organizational Report with a directional surveying services activity/specialty code. The survey exists in Commission records for this well. The examiners recommend the exception be granted.

DISCUSSION OF THE EVIDENCE

ANLOC was issued drilling permit no. 680634 on April 28, 2009, to re-enter the vertical Warren Ranch Well No. 2. This well was originally drilled in 1945 to a depth of 6,366 feet; it was plugged in 2005. In 2009, ANLOC re-entered the well to bring it back into production. ANLOC encountered an obstruction in the hole, and so a window in the casing was milled and the well was sidetracked at 3,077 feet. At hearing ANLAC's representative

testified that this was a vertical sidetrack in conformance to its permit; it was not intentionally directionally deviated except to avoid obstruction. The sidetrack terminated at a depth of 6,535 feet and was plugged back to a depth of 6,292 feet.

In accordance with Statewide Rule 11, the operator is required to conduct an inclination survey and submit the report to the Commission on Form W-12. The operator may instead have a directional survey performed in lieu of an inclination survey. However, if a directional survey is performed, then the survey must be submitted by the directional surveyor directly to the Commission along with a certification statement that meets the requirements of Statewide Rule 12. The examiners note that for this particular well and sidetrack, a directional survey would not be required if the well was not intentionally deviated to a particular compass direction, but one could be conducted in lieu of an inclination survey.

In this case, what appears to have happened is that the driller surveyed the wellbore with two gyro and one measurement while drilling (MWD) surveys covering the entire depth of the existing and newly-sidetracked wellbore. The driller did not submit the surveys directly to the Commission, and the surveys were not properly certified according to Rule 12. Instead, the surveys were provided to the operator, ANLOC, who submitted them along with a form W-12. These surveys are a part of the Commission's well records in the Neubus data system. The bottom-hole data indicate that the last survey measurement was taken at a depth of 6,530 feet (measured depth) which corresponds to about 6,521 feet (total vertical depth). At this depth the well had a deviation of 63.53 feet to the north and 26.20 feet to the east. Commission staff notified the operator that the surveys were not in compliance with Statewide Rules 11 and 12 because they were not submitted and certified by the directional surveying company.

MAC Drilling Solutions, Inc., of Ninnekah, Oklahoma, was contracted to perform the directional drilling and surveying for this well. ANLOC provided evidence including invoices, a cashed check, and other documentation identifying the particular MAC Drilling Solutions project number for the Warren Ranch Well No. 2. The same project number appears on the gyro/MWD survey report.

MAC Drilling Solutions, Inc., does not now, nor does it ever appear to have had a valid P-5 Organization Report with the Texas Railroad Commission. Thus the directional survey for the Warren Ranch Well No. 2 would not be valid or certifiable under Commission Rules.

The Warren Ranch Lease consists of about 7,300 acres in northwest Harris County. According to drilling permit no. 680634, the surface location is 2,710 feet from the southwest lease line and 4,100 feet from the west least line. The sidetrack length was 3,215 feet, which is the distance from the casing window (3,077 feet) to the plug-back depth of 3,215.

EXAMINERS' OPINION

The evidence presented at the hearing and available in Commission records indicates that (1) the wellbore has not been surveyed in accordance with Statewide Rule 11(c)(2)(A); (2) a directional survey was performed on the well; and (3) data from the existing survey indicates that it is very unlikely that the well violates field or statewide spacing rules.

It appears to the examiner that the wellbore was intentionally deviated to avoid the obstruction in the original wellbore, and that the deviation was in a particular compass direction and inclination to avoid contact with a nearby plugged well. The surface location of the Prime Natural Resources, Warren Ranch no. 21 (API 201-32066) is about 60 feet southeast of the ANLOC Warren Ranch No. 2. The Prime No. 21 well was drilled in 1987 to a depth of 3,141 feet and plugged 2000. Commission records for this well indicate a cumulative W-12 deviation of 94 feet at a depth of 3,120 feet. ANLOC's orientation of the Warren Ranch No. 2 sidetrack to an azimuth of 310 degrees (west-northwest) at an inclination of 6 degrees would seem prudent to ensure avoidance with the plugged Prime well no. 21.

The examiner notes that the location and deviation of the well with respect to the nearest lease line indicate that the well is, for all practical purposes, vertical and there is no reasonable risk that the well violates lease line spacing requirements. The nearest lease line is 2,710 feet to the southwest.

FINDINGS OF FACT

1. Proper notice of this hearing was given at least ten days prior to the date of hearing.
2. The Warren Ranch Well No. 2 was drilled in 1945 to a depth of 6,366 feet and plugged in 2005.
3. In 2009 ANLOC obtained drilling permit no. 680634 to re-enter and recomplete the well. Due to obstructions in the wellbore, ANLOC side-tracked the wellbore at a depth of 3,077 feet and drilled to a total depth of 6,535 feet.
4. The well was permitted and drilled as a vertical well; the sidetrack was not intentionally directionally deviated except to avoid the obstruction.
5. Statewide Rule 11 requires an inclination survey be conducted on vertical wells, and allows that directional surveys may be conducted instead.
6. MAC Drilling Solutions, Inc., of Ninnekah, Oklahoma was the directional

driller for the re-entry.

7. MAC Drilling Solutions, Inc., performed two gyro and one MWD surveys on the wellbore.
8. MAC Drilling Solutions does not have and does not appear to have ever had an active P-5 Organizational Report with the Texas Railroad Commission.
9. The bottom-hole data indicate that the last survey measurement was taken at a depth of 6,530 feet. At this depth the well had a deviation of 63.53 feet to the north and 26.20 feet to the east.
10. The directional survey was not submitted to the Commission or certified in accordance with Statewide Rules 11 and 12.
11. The surface location of the Warren Lease Well No. 2 is 2,710 feet from the nearest lease line.
12. ANLOC has demonstrated that the well was surveyed, the bottom hole location is in compliance with spacing rules, and that acceptable evidence exists to support this conclusion.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the requested exception to Statewide Rule 11 will prevent waste of oil resources and will not harm correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission grant an exception to Statewide Rule as requested by ANLOC, LLC.

Respectfully submitted,


Paul Dubois
Technical Examiner


Terry Johnson
Hearings Examiner