



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0280357

THE APPLICATION OF CLAYTON WILLIAMS ENERGY, INC. TO ADOPT FIELD RULES
FOR THE GIDDINGS (EAGLEFORD) FIELD, LEE COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Laura Miles-Valdez - Legal Examiner

HEARING DATE: February 21, 2013

APPEARANCES: REPRESENTING:

APPLICANT:

Doug Dashiell
Rick Johnston

Clayton Williams Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Temporary Field Rules for the Giddings (Eagleford) Field were adopted in Final Order No. 03-0258105, effective September 9, 2008 and cancelled in Final Order No. 03-0265369, effective June 6, 2010. The field is currently governed by Statewide Rules as follows:

1. Designated correlative interval from 8,624 feet to 9,002 feet as shown on the log of the W. H. Giesenschlag "C" Lease, Well No. 1 (API No. 42-051-31485);
2. 467'-1,200' well spacing;
3. 40 acre density for oil and gas wells;
4. Allocation based on 100% acres.

Clayton Williams Energy, Inc. ("Clayton Williams") requests that the Field Rules for the Giddings (Eagleford) Field be adopted as shown below:

1. Designated correlative interval from 8,624 feet to 8,965 feet as shown on the log of the W. H. Giesenschlag "C" Lease, Well No. 1 (API No. 42-051-31485);
2. 467'-0' well spacing with special provisions for "take points", 50 foot "box rule" and "off-lease" penetration point for horizontal drainhole wells;
3. 160 acre oil units with optional 80 acre density, special formula for allocating acreage to horizontal drainhole wells;
4. Allocation based on 100% acres;

The examiners recommend that the Field Rules for the Giddings (Eagleford) Field be adopted, as requested by Clayton Williams.

DISCUSSION OF EVIDENCE

The Giddings (Eagleford) Field was discovered in July 1981 at an average depth of 8,820 feet. There are 32 producing oil wells and one producing gas well carried on the proration schedules. The field operates under Statewide Field Rules that provide for 467'-1,200' well spacing, 40 acre oil units, allocation based on 100% acres. Cumulative production from the field through January 2012 is 615.3 MBO and 440.9 MMFG.

Clayton Williams requests that the field be defined as the correlative interval from 8,624 feet to 8,965 feet as shown on the log of the W. H. Giesenschlag "C" Lease, Well No. 1(API No. 42-051-31485), Lee County, Texas. The correlative interval includes the entire Eagleford formation and slightly decreases the existing designated interval.

Clayton Williams is proposing to reactivate the field and drill additional horizontal wells and requests field rules to promote the efficient and effective development of the remaining hydrocarbons. Clayton Williams proposes similar density and horizontal drainhole well field rules for the Giddings (Eagleford) Field that have been approved for other horizontal plays. Additionally requests the field rules to be similar to the Giddings (Austin Chalk-3) Field and Giddings (Buda) Field to allow commingling. Clayton Williams requests that the Field Rules be adopted to provide for 467'-0' well spacing with special provisions for "take points", 50 foot "box rule" and "off-lease" penetration point for horizontal drainhole wells and 160 acre oil units with optional 80 acre density, special formula for allocating acreage to horizontal drainhole well. Temporary field rules approved in 2008 provided for 160 acre oil units with optional 80 acre density. Similar horizontal rules have been adopted in other tight reservoirs, including the Eagle Ford, Wolfcamp, Bone Springs, Cotton Valley and Barnett Shale formations.

Clayton Williams proposes a 50 foot "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.

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. Clayton 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 600 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 600 feet from the lease line spacing of 467 feet. The proposed rule will allow approximately 600 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 (Eagleford) Field was discovered in July 1981 at an average depth of 8,820 feet.
 - a. There are 32 producing oil wells and one gas well carried on the proration schedules.
 - b. The field operates under Statewide Rules that provide for 467'-1,200' well spacing, 40 acre units, allocation based on 100% acres.
 - c. The field is being reactivated by drilling new horizontal wells.
3. The Giddings (Eagleford) Field should be defined as the correlative interval from 8,624 feet to 8,965 feet as shown on the log of the W. H. Giesenschlag "C" Lease, Well No. 1(API No. 42-051-31485), Lee County, Texas. The correlative interval includes the entire Eagleford 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. 3, 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. Having similar field rules for the Giddings (Eagleford) Field as the Giddings (Austin Chalk-3) and Giddings (Buda) Fields will assist in commingling the reservoirs which will recover additional hydrocarbons and prevent waste.
 8. Similar horizontal 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. Adopting the Field Rules for the Giddings (Eagleford) 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 adopt the Field Rules for the Giddings (Eagleford) Field, as requested by Clayton Williams Energy, Inc.

Respectfully submitted,


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Technical Examiner


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