

Reasons not to totally disregard UMC's evidence

p. 68 R: S didn't have any long-term pressure data
R: S had 3 yr old, short-term pressure tests

OCC incorporated OCS record

p. 82 R: S changed some statistics from the examined hearing
old - 18' of net pay } so R: S substantially
new - 5' of net pay } reduced UMC's net pay
old - 22' } by these alterations
new - 18'

82 : no accurate pressure data - old data from 1993
R: S used

EST. wt. recovery for 4 wells
affected - is this a factor?

what about
"equilibrium?"

"no flow boundary?"
off-pattern

2 wells in 35 - 1 mill/day
2 " " 26 1 mill/day

new R: S anticipate new well at 1.3/mill or 1.4/mill.
large inequity

R: S will have over 2 mill/day
UMC still have only 1 mill/day

49 R: S will initially have overproduction (prorated
pool) but the decline is expected to be rapid
1505.53 : in 3 or 4 mos. down to allowable rate

R S did not make the case that a well at
1980 will not produce the gas under this section
they can recover the reserves at no crowding
the location in Section 35
did not show that the 1980 location will
drain it -

equidistant from that line

R S did drill w/o penalty at 1980'
no penalty
aol batcassa .aol

R: S alt. conclusion contradicted by findings
argument remand to the Commission

1 common reservoir of Morrison formation
Buffalo Valley⁽²⁰⁾ - Diamond Road Sect 35
(R: S) (UMC)
320-acre (not mounted)
(private)

Judge reasonable probability - no guarantee

R: S well is drilled: producing under the penalty

Briefing book

1. order

2. Oil Act

3. cases cited in brief highlights for another case

CC's brief argues

under 70-2-17 each owner's share to total recovery in pool
5 for R: S 3.4 for UMC - this "the evid. most favorable
to R: S; it is not rec. the evid. the Comm. had to
accept in total

order

Which engineering study they believe

33(H) "to produce
so far as practicable a fair & equitable share"

eng. study supported the "Orthodox location"

RIS

engineering study supported the requested
unorthodox location - no one is arguing
that it does not
but there is nothing that prevents the
Comm. from providing a penalty to
protect correlative rights: there was
evid to supp. such a penalty

12(b) goes to protecting RIS corr. rts

12(d) is the finding that protects ~~the~~ comm.
UMC's correlative

judge

will take under advisement

Lead: Stevens
penalty

can't know prior to well being drilled
industry doesn't want to drill (spend \$8
w/o knowing the penalty
distance from line is not used in all cases,
some like recent Chesapeake case - seismic
shows almost conclusively that there would
be drainage

but dist. from line is one of the penalty
methods & correlates to specifics if
you assume roughly equivalent containers

my understanding is that dist. from line
penalty has been used for a decade & this is
the 1st challenge to its use

SF - Ernie Padilla
Stevens Biller

SF Exploration v. DCO 1147117103

Stevens was allowed to drill another well & assessed a production penalty. I appeal penalty

Order - ~~not total~~

estimated the total amt of oil in the Pool
" " " " the amt of oil under each of the
3 tracts in the Pool

Order set the total allowable production from the Pool at the existing production rate of 235 barrels per day

Order allocated production to the 2 wells in accordance w/ the relative % of oil underlying each of the 3 tracts

alleged erroneous determination of the recoverable reserves underlying the Pool

70-2-11 op. to the owner of ea prop in a pool to prod. w/o waste his just & equitable share of the oil in the pool being an amt so far as can be practically determined & so far as can be practically obtained w/o waste substantially in the proportion that the quantity of recoverable oil under the prop bears to the total recoverable oil in the pool

DCO must determ. tot. amt. of oil in the pool ÷ The proportionate share underlying each tract HAS commission done
this

i) rem. recoverable gas in pool

ii) apportion that (i) vol. (relative shares)



Tom K. - Read : Stevens : Matador Petroleum
from Bruce - UMC Petroleum

R: S - wants protection well in SW corner

otherwise waste will occur : cor. refs will be damaged

all
competing
in same
reservoir

} Sect. 26 - 2 R: S wells Buffalo Valley prorated gas pool
} Sect 35 - Diamond-Mound Pool - not prorated

Sect. 26 - rules preclude wells from NE & SW corners
unless exception is granted by Oll

UMC drilled before R: S

Catacomb presented as incomplete ~~case~~ ^{not given} ^{or volumetric}
gas-in place calculations or complete reservoir study
so C didn't determine.

8.4 Bcf remains from 26 : 35

share for ~~Sect~~ 26 is 5.4 Bcf / share for Sect. 35 is 3.0 Bcf

C issued a 50% penalty

R: S wants penalty off

UMC

new well will not prod. add'l reserves $\Rightarrow$ penalty must
cont. or UMC damaged

Sect 26 : 35 are ea prod. ~~Need~~ same amt
add'l well will cause a competitive disadvantage

R: S

Payne - petroleum engineer

C wasn't given info as to what is recoverable : what existing
wells can produce

it's a completion-driven reservoir

all 4 wells are competing in same reservoir

pressure lower on 26 than 35

.5 Bcf will not be recovered "1 mill of gas"

- I OCC failed to protect cumulative refs
* failed to make findings re volume of remaining recoverable gas & how that vol. is allocated thru 20-25
* failed to apportion
- II OCC failed to make suff. findings
How can it accept R's study but ignore conclusions & instead impose a 50% prod. pen
- III finding 12(d) not supp. by subst. evd.
"... Applicant will be gaining an advantage."
- IV order failed to provide for a min. gas allowable

OCC precedents (1988 order) :: penalty cont. to apply to well's prod. rate (decelerability) & as that rate declines, then well will be lmt'd to a gas vol. that will make well uneconomical

min. allowable nec. to protect R's A's cumulative refs to get a suitable rate of return on investment

(p. 3) Finding 10

evg. evd. of both parties is agrmt for est. left recoveries (how is this diff. from "vol of rem. recoverable gas"?)

-
- * Is there evd in the record to supp. imposition of penalty?
 - * When a penalty is imposed, must OCC provide a min. gas allowable?
 - * Does OCC always find all of the following:

Payne
(cont.)

How does
the land
how much
gas was
originally
"in place"

@ 2/mcf = 1 mil of gas will not be prod.
3 study area - 15 sq. miles (about 18 wells)
some degree of communication throughout channel system
lease squares fit - gas in place —
prop. well 1.3 mcf/day

Dept. 35 has had some gas produced so pressure is ~~not~~
less & it's draining from 26

up to prop. well, there will be 2.5 mil. confiscated
Whites Court penalty based on phys. location of prop. well
based on well dist. &

X if well is moved to east, it still allows White wells to
confiscate

Is there need for 7 vs. Ex 1 from Exting.

evid. of
just mani-
pulated
evid.

Counsel to present draft orders in 10 days

To pay
to the
of
the
the
the

100

119
13081

TDC tom.
cancelled will be at
tentball - will be at Wed.
sun



OCC principle
penalized - never had to show flow
maybe, this needs keeping up

12/12/96 order entered (B-10622)

contradictions btwn pgs. 5 & 6 which are tot.
inconsistent w/ previous pages - improperly collated?
not logical to adopt R: S: eng. report & then w/o
explanation, ignore conclusions & impose 50%
penalty

70-2-33H OCC has to make findings re remaining recoverable
gas in this area of the pool & to apportion that vol.
btwn R: S (Sect. 36) & UMC's (Sect 35)

OCC made findings about:

1) est. ultimate recovery (finding 10)

2) eng. gas in place ("")

is this finding
rec?
yes.

→ but OCC did not make finding of vol. of remain-
ing recoverable gas & how that is to be allocated

David did not have the R: S study in mind

} penalty is inconsistent w/ study
conclusion is contrary to finding 12(b)

Finding 12(d) is wrong - not supp by subst. evid
(gaining an advantage)