



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0285950

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THE APPLICATION OF QUANTUM RESOURCES MANAGEMENT, LLC TO AMEND  
FIELD RULES FOR THE OVERTON (COTTON VALLEY SAND) FIELD, CHEROKEE,  
RUSK AND SMITH COUNTIES, TEXAS

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HEARD BY: Paul Dubois – Technical Examiner  
Marshall Enquist – Legal Examiner

HEARING DATE: January 8, 2014

APPEARANCES:

REPRESENTING:

APPLICANT:

Jim Clark

Quantum Resources Management, LLC

INTERVENOR:

Rick Johnston

Valence Operating Company

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

This is the application of Quantum Resources Management, LLC (Quantum) to amend field rules for the Overton (Cotton Valley Sand) Field in Cherokee, Rusk and Smith Counties, Texas. Quantum seeks to amend Field Rule 2 (spacing), and add Rule 5 (stacked laterals). Quantum does not seek to change Field Rules 1 (correlative interval), 3 (density), or 4 (allocation formula).

The application was initially protested by Valence Operating, an operator in the field. To resolve the protest, Quantum has revised certain aspects of its proposed changes to the field rules, satisfying Valence. The examiners determined that additional notice was not required because the field rule parameters agreed upon by Quantum and Valence were within the envelope defined by (1) current field rules, and (2) those initially proposed by Quantum and noticed to all operators in the field.

The examiners recommend the field rules be amended as requested by Quantum

at the hearing.

### **DISCUSSION OF THE EVIDENCE**

The Overton (Cotton Valley Sand) Field was discovered in 1977 at a depth of 11,269 feet. It is an associated gas field. There are currently 17 operators with 611 gas wells and one oil well in the field. The field produces about 1.5 BCF/month gas and 10,000 Bbl/month condensate. Cumulative production is about 412 BCF gas and nearly 3 MMBbl condensate. Most of the development has been with vertical wells, although about 20 horizontal wells have been completed in the field.

The current field rules allow for 467 feet lease line spacing distances and 600 feet between well spacing. The field rules also provide for take point provisions and off-lease penetration points. The current field rules do not include provisions for non-perforated zones (NPZs) or a box rule for lateral completion; these elements are a part of Quantum's requested rule changes. Specifically, at the hearing Quantum requests the following changes:

- Reduce the lease line spacing for vertical wells from 467 to 330 feet;
- Reduce the lease line spacing for horizontal wells from 467 to 330 feet;
- Provide for NPZ provisions;
- Provide a 50-foot box tolerance rule; and
- Provide for stacked lateral wells.

Quantum identified 15 fields in a seven-county area of East Texas that produce from a stratigraphically equivalent interval in the Cotton Valley Formation. The Overton (Cotton Valley Sand) Field is the westernmost of these 15 fields. The field rule amendments proposed by Quantum are very consistent with the rules in place for the other 14 fields, with only some minor differences (e.g., all but three of the 14 other Cotton Valley fields have stacked lateral provisions, and all of the fields have 330 lease line spacing for vertical wells.) Adoption of the proposed field rule amendments will facilitate the orderly development of the field, reduce waste and protect correlative rights. The examiners recommend approval of the proposed rule amendments.

### **FINDINGS OF FACT**

1. Notice of this application and hearing was provided to all persons entitled to

notice at least ten (10) days prior to the date of the hearing.

2. The Overton (Cotton Valley Sand) Field was discovered in 1977 at a depth of 11,269 feet.
3. There are currently 17 operators with 611 gas wells and one oil well in the field.
4. The field produces about 1.5 BCF/month gas and 10,000 Bbl/month condensate.
5. Cumulative production is about 412 BCF gas and nearly 3 MMBbl condensate.
6. Quantum's proposed field rule amendments are consistent with those for 14 other Cotton Valley Formation fields in the area.
7. Reducing spacing requirements from 467 to 330 feet will reduce waste and protect correlative rights.
8. Common horizontal well provisions for box tolerance rules, NPZs and stacked lateral wells will reduce waste and protect correlative rights.

**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. Amending Field Rules for the Overton (Cotton Valley Sand) Field will prevent waste, protect correlative rights and promote development of the field.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the field rules Overton (Cotton Valley Sand) Field, as requested by Quantum Resources Management, LLC.

Respectfully submitted,

  
Paul Dubois  
Technical Examiner

  
Marshall Enquist  
Legal Examiner