



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0289579

THE APPLICATION OF BP AMERICA PRODUCTION COMPANY, TO AMEND FIELD RULES FOR THE WOODLAWN, SW. (COTTON VALLEY) FIELD, HARRISON COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

HEARING DATE: July 14, 2014

APPEARANCES: REPRESENTING:

APPLICANT:

William Hayenga
Keith Masters

BP America Production Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of BP America Production Company (BP), to amend field rules for the Woodlawn, SW. (Cotton Valley) Field in Harrison County, Texas. BP seeks to amend the take point spacing provisions for horizontal wells in Field Rule No. 2. Specifically, BP is requesting dual lease line spacing provisions of 100 feet from first and last take points and 330 feet perpendicular to the drainhole.

At the time of the hearing, BP was not an operator of a well in the field, but it does own mineral rights to acreage in the field. BP has applied to the Commission for a drilling permit (status no. 791224, filed July 8, 2014) to drill its Fisher Gas Unit well no. 1H. The drilling permit was issued on October 2, 2014, documenting BP's standing to amend the field rules.

DISCUSSION OF THE EVIDENCE

The Woodlawn, SW. (Cotton Valley) Field was discovered on October 20, 1977, at a depth of 10,090 feet in Harrison County, Texas. Field rules were adopted by the Railroad Commission in Special Order No. 6-73,042, effective July 16, 1979. The field rules have been amended several times, most recently on November 2, 2010 in Docket No. 06-0267029. The current field rules specify 330-foot lease line spacing with no (zero feet) between well spacing limitation. The field rules include take point provisions with 330-foot spacing restrictions; the current field rules do not provide for dual lease line take point provisions.

The current field rules provide for 330 feet spacing between any property line, lease line or subdivision line. BP is requesting to amend this provision of Field Rule No. 2 to allow for dual lease line spacing provisions. Such provisions are commonly adopted to facilitate efficient horizontal well development. BP identified four other Cotton Valley fields that have adopted a 100- or 200-foot spacing provision between the first and last take points of a horizontal well bore and the nearest lease line, and a 330- or 467-foot perpendicular spacing provision between the horizontal drainhole and the nearest lease line. In this matter, BP is seeking 100-foot spacing between lease lines and the first and last take points, and 330-foot perpendicular spacing from the horizontal drainhole to the lease line.

The standard proration unit is 640 acres, and 20-acre optional units are allowed. BP presented data from field rule hearings in 2005 and 2007 (Docket Nos. 06-0241430 and 06-0252924, respectively) that were used to justify reducing the optional unit size first to 40 acres and then to 20 acres. Based on five of the better-producing wells in the Woodlawn, SW. (Cotton Valley) Field, BP expects most wells in the field to drain about 20 acres. Cotton Valley wells require fracture stimulation for production. The average fracture stimulation stage length of horizontal wells in the nearby Woodlawn (Cotton Valley) Field is about 350 feet.

Based on the demonstrated average fracture stimulation stage length of 350 feet, BP estimates that one-half of this value, or 175 feet, would be a reasonable estimate of the drainage radius perpendicular to the fracture axis. Therefore, BP is requesting a first and last take point spacing provision of 100 feet, which would ensure adequate coverage from the first and last take point to the nearest lease line, eliminating the potential for waste between the first or last take point and the adjacent lease line.

BP is also requesting the Woodlawn, SW (Cotton Valley) Field Rules be made permanent.

FINDINGS OF FACT

1. Proper notice of this hearing was issued.

2. The Woodlawn, SW. (Cotton Valley) Field was discovered on October 20, 1977, at a depth of 10,090 feet in Harrison County, Texas.
3. Field rules were adopted by the Railroad Commission in Special Order No. 6-73,042, effective July 16, 1979. The field rules have been amended several times, most recently on November 2, 2010 in Docket No. 06-0267029.
4. The current field rules specify 330-foot lease line spacing with no (zero feet) between well spacing limitation. The field rules include take point provisions with 330-foot spacing restrictions; the current field rules do not provide for dual lease line take point provisions.
5. The average fracture stimulation stage length of horizontal wells in the nearby Woodlawn (Cotton Valley) Field is about 350 feet.
6. Based on the demonstrated average fracture stimulation stage length of 350 feet, one-half of this value, or 175 feet, would be a reasonable estimate of the drainage radius perpendicular to the fracture axis.
7. A first and last take point to lease line spacing provision of 100 feet would ensure adequate coverage from the first and last take point to the nearest lease line, eliminating the potential for waste between the first or last take point and the adjacent lease line.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §1.45
3. Amending Field Rules for the Woodlawn, SW. (Cotton Valley) Field will prevent waste, protect correlative rights and promote development of the field.

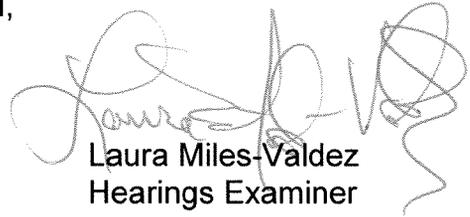
EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission amend the field rules for the Woodlawn, SW (Cotton Valley) Field, as requested by BP America Production Company.

Respectfully submitted,



Paul Dubois
Technical Examiner



Laura Miles-Valdez
Hearings Examiner