



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0296525

THE APPLICATION OF VALENCE OPERATING COMPANY TO AMEND FIELD RULES FOR THE WARE (COTTON VALLEY) FIELD, HARRISON COUNTY, TEXAS

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

HEARING DATE: June 8, 2015

CONFERENCE DATE: July 14, 2015

APPEARANCES:

REPRESENTING:

Andres Trevino, P.E.

Valence Operating Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Valence Operating Company (Valence) seeks to amend the field rules for the Ware (Cotton Valley) Field in Harrison County, Texas. Valence seeks one change, to add a provision for 200-foot lease line spacing for the first and last take points on a horizontal well. All operators in the field were notified of the application and no protests were received. The Examiners recommend the field rules be amended as requested by Valence.

DISCUSSION OF EVIDENCE

The Ware (Cotton Valley) Field was discovered in 1984 at a depth of 9,974 feet. The field is an associated gas field. There are currently about 43 producing gas wells and no oil wells in the field. Valence operates four vertical wells in the field. All of the wells in the field are vertical wells; Valence has permitted two horizontal wells to be drilled in the field. The Ware (Cotton Valley) Field has produced more than 28 billion cubic feet of gas and 232,490 barrels of condensate or oil.

Temporary field rules were established in Docket No. 6-98,117 on August 3, 1992, and made permanent in Docket No. 06-0203956 on March 21, 1994. The field rules were

subsequently amended, most recently on December 18, 2013, in Docket No. 06-0282433. The current field rules are summarized as follows:

- Rule 1 establishes a correlative interval from 8,685 feet to 10,080 feet.
- Rule 2 establishes (1) lease line spacing of 330 feet and between well spacing of 660 feet; (2) take point provisions; (3) no perforation zones; (4) a 50-foot box rule; and (5) off-lease penetration points.
- Rule 3 establishes for 160-acre standard drilling and proration units with 40-acre optional units.
- Rule 4 establishes an allowable allocation formula based on 95 percent acreage and 5 percent individual well deliverability; the allocation formula is suspended.

By this application, Valence seeks to change Rule 2 so that the first and last take points in a horizontal well take point can be a minimum of 200 feet from the nearest lease line. Under the existing rules, the first and last take points of a horizontal well are treated no differently from other take points and must be 330 feet from the nearest lease line. By reducing the lease line spacing for the first and last take points, Valence argues that its two planned horizontal wells will increase recovery by 6.5 percent as an additional 260 of wellbore will be exposed to the productive formation. Valence believes this field rule change will reduce waste and protect correlative rights.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Ware (Cotton Valley) Field was discovered in 1984 at a depth of 9,974 feet. The field is an associated gas field.
3. Valence operates four vertical wells in the field.
4. Valence has permitted two horizontal wells to be drilled in the field.
5. The current field rules were established on December 18, 2013, in Docket No. 06-0282433.
6. Adding a provision to Field Rule No. 2 to allow the first and last take point of a horizontal well to be 200 feet from the nearest lease line will all an operator

to drill a well that exposes the productive formation to 260 additional feet of horizontal wellbore.

7. For Valence's two permitted horizontal wells, this provision will increase recovery by 6.5 percent compared to the current field rules allowing for 330-foot lease line spacing.
8. The proposed field rule amendment will prevent waste and protect correlative rights.

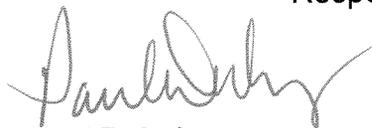
CONCLUSIONS OF LAW

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. The requested field rule amendments will prevent waste and protect correlative rights.

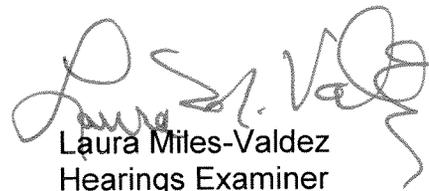
RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Valence Operating Company to amend the field rules of the Ware (Cotton Valley) Field.

Respectfully submitted,



Paul Dubois
Technical Examiner



Laura Miles-Valdez
Hearings Examiner