



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0281969

THE APPLICATION OF FOREST OIL CORPORATION TO AMEND FIELD RULES FOR THE HENDERSON, E. (COTTON VALLEY) FIELD, RUSK COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: May 30, 2013

APPEARANCES: **REPRESENTING:**

APPLICANT:

Rick Johnston

Forest Oil Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Henderson, E. (Cotton Valley) Field were adopted in Final Order No. 06-0240561, effective December 21, 2004, as amended. The current Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 9,600 feet to 11,000 feet, as shown on the log of the Forest Oil Corporation - Taliaferro Gas Unit 1, Well No. 1 (API No. 42-401-33357);
2. 467'-600' well spacing, 200' lease line spacing for the first and last take points in horizontal drainhole wells and no minimum between well spacing limitation for horizontal drainhole wells and vertical wells or horizontal drainhole wells that are parallel or sub-parallel and do not overlap more than 100 feet with special provisions for "take points" and "off-lease" penetration point for horizontal drainhole wells;
3. 40 acre gas units with optional 20 acre density and no filing of Form P-15 and plats;
4. Allocation based on 95% deliverability and 5% per well with AOF status.

Forest Oil Corporation ("Forest") requests that Field Rule No. 2 be amended to provide for 330'-330' well spacing and a special provision for a 50' "box" rule in horizontal drainhole wells.

The application is unopposed and the examiners recommend that Field Rule No. 2 be amended for the Henderson, E. (Cotton Valley) Field, as proposed by Forest .

DISCUSSION OF EVIDENCE

The Henderson, E. (Cotton Valley) Field was discovered in November 1980 at an average depth of 10,500 feet. The field is classified as non-associated and has 211 producing gas wells and eleven operators carried on the proration schedule. The field operates under Field Rules that provide for 467'-600' well spacing and 40 acre gas units with optional 20 acre density. The allocation formula is currently suspended. Cumulative production from the field through December 2012 is 65.3 BCFG and 839.1 MBO.

Forest is developing the field with horizontal drainhole wells and requests that Field Rule No. 2 be amended to promote the efficient and effective development of the remaining hydrocarbons. Forest proposes 330'-330' well spacing and a special provision for a 50' "box" rule in horizontal drainhole wells. A tolerance "box rule" for horizontal drainhole wells 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.

Forest also requests that the allocation formula remain suspended, as there is a 100% market demand for all of the gas produced from the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Henderson, E. (Cotton Valley) Field was discovered in November 1980 at an average depth of 10,500 feet.
 - a. The field is classified as non-associated and has 211 producing gas wells and eleven operators carried on the proration schedule.
 - b. The field operates under Field Rules that provide for 467'-600' well spacing and 40 acre gas units with optional 20 acre density.

- c. The allocation formula is currently suspended.
- 3. The Henderson, E. (Cotton Valley) Field is actively being developed with horizontal drainhole wells.
- 4. A Field Rule that provides for 330'-330' well spacing will provide greater flexibility in selecting future drilling locations.
- 5. The proposed 50' "box" rule is necessary to allow operators reasonable minor deviations from the wellbore track that has been permitted.
- 6. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all of the gas produced from the field.

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 Rule No. 2 for the Henderson, E. (Cotton Valley) 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 amend Field Rule No. 2 for the Henderson, E. (Cotton Valley) Field, as proposed by Forest Oil Corporation.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner



Michael Crnich
Legal Examiner