



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0296958

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**THE APPLICATION OF VALENCE OPERATING COMPANY TO AMEND FIELD RULES FOR THE CHAPEL HILL (COTTON VALLEY) FIELD, SMITH COUNTY, TEXAS**

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**HEARD BY:** Brian Fancher, P.G. – Technical Examiner  
Terry Johnson – Legal Examiner

**HEARING DATE:** July 17, 2015  
**RECORD CLOSED:** July 17, 2015  
**SUBMISSION DATE:** August 31, 2015  
**CONFERENCE DATE:** September 15, 2015

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Andy Trevino, P.E.

Valence Operating Company

### EXAMINERS' REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

The subject application is unopposed. The Examiners recommend that it be approved.

The existing special field rules for the Chapel Hill (Cotton Valley) Field ("Field") were adopted on October 28, 2014, per Oil & Gas Final Order 06-0289795, and provide as follows:

1. A designated correlative interval that defines the field from 10,140 feet to 11,685 feet, as shown on the log for the JW Operating Company, Slayton Unit, Well No. 1 (API No. 42-423-31974), located in Smith County, Texas;
2. 330' minimum property, lease, or subdivision line spacing, and 660' minimum between well spacing with no minimum between well spacing distance between horizontal and vertical wells; horizontal well spacing based on take points; 330' first and last take points; Non-Perforated Zones ("NPZs"); a 50' subsurface box rule; off-lease penetration

points; additional acreage assignment for horizontal wells pursuant to Statewide Rule 86; and Form P-15s in lieu of proration unit plats;

3. 40-acre proration units with tolerance acreage and no maximum diagonal;
4. AOF status for gas wells. Allocation based on 10% acreage and 90% deliverability, and a maximum allowable based on the 1965 Yardstick Allowable;

Valence Operating Company ("Valence") proposes the following amendments:

1. No change;
2. 200' first and last take points;
3. No change;
4. No change.

#### **DISCUSSION OF THE EVIDENCE**

Mr. Andy Trevino, consulting petroleum engineer, testified on behalf of Valence.

The Field was discovered in January 1981, and is designated as an associated-prorated field. However, all gas wells completed in the Field are authorized to produce natural gas without any gas allocation constraint (*i.e.*, Absolute Open Flow). The Field's cumulative production through July 2015 is roughly 16,766 barrels of oil and 480 million cubic feet of natural gas.

Valence operates numerous wells throughout the Field. Mr. Trevino testified that Valence seeks to drill additional horizontal wells in the Field. As such, Valence requests to decrease the Field's first and last take point distance from 330 feet to 200 feet. Mr. Trevino testified that horizontal wells in the Field will gain 260 feet of additional productive lateral length by lowering the first and last take point distance to 200 feet.<sup>1</sup> He testified that if the requested relief is granted, operators in the Field will theoretically produce between 168 MMCFG and 480 MMCFG of reserves that would otherwise go unrecovered.<sup>2</sup>

In conclusion, Mr. Trevino believes that Valence's proposed field rule amendment will provide for orderly drilling, completion, and operation of wells in the subject field while preventing waste and protecting correlative rights.

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<sup>1</sup> Valence Exh. No. 6.

<sup>2</sup> Valence Exh. 10.

**FINDINGS OF FACT**

1. Valence Operating Company ("Valence") seeks to amend the existing special field rules for the Chapel Hill (Cotton Valley) Field ("Field"), Smith County, Texas ("Subject Application").
2. The Subject Application's Notice of Hearing was mailed to all operators in the Field, as of June 23, 2015.
3. In the Subject Application, Valence requests only to amend the first and last take point provision in the existing special field rules from 330 feet to 200 feet.
4. Amending the Field's first and last take point provision to 200 feet will theoretically add between 168 MMCFG and 480 MMCFG of recoverable reserves per well that would otherwise go unrecovered.
5. Amending the existing special field rules to provide for 200' first and last take points will promote development of the field.
6. Amending the Field's existing special field rules to provide for 200' first and last take points 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. Legally sufficient notice has been provided to all affected persons.
3. Amending the special field rules for the Chapel Hill (Cotton Valley) Field, as proposed by Valence Operating Company, will prevent waste and protect correlative rights.

**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the special field rules for the Chapel Hill (Cotton Valley) Field be amended to provide for 200' first and last take points, as proposed by Valence Operating Company.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Terry Johnson  
Legal Examiner