



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0296959

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**THE APPLICATION OF VALENCE OPERATING COMPANY TO AMEND FIELD RULES FOR THE OVERTON (COTTON VALLEY SAND) 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 existing special field rules for the Overton (Cotton Valley Sand) Field ("Field") were adopted on March 25, 2014, per Oil & Gas Final Order 06-0285950, and provide as follows:

1. A designated correlative interval that defines the field from 10,575 feet to 11,815 feet, as shown on the log for the American Petrofina Company, J.F. Ware Lease, Well No. 1, 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 33' subsurface box rule; and off-lease penetration points;

3. 640-acre gas proration units with 20-acre optional gas proration units; and a requirement to file a Form P-15 for acreage dedication;
4. AOF status for gas wells. Allocation based on 95% acreage and 5% deliverability, and a maximum allowable based on the 1965 Yardstick Allowable;
5. Stacked lateral provision.

Valence Operating Company (“Valence”) proposes the following amendments:

1. No change;
2. 200’ first and last take points; and a 50’ box rule;
3. No change;
4. No change.

### **DISCUSSION OF THE EVIDENCE**

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

The Field was discovered in February 1977, and is designated as an associated-prorated field. However, all gas wells completed in the Field are authorized to produce without any allocation constraint (*i.e.*, Absolute Open Flow). The Field’s cumulative production through July 2015 is roughly 3.3 million barrels of oil and 448 billion cubic feet of gas. There are multiple operators in the Field, and Valence operates numerous wells throughout the Field.

Mr. Trevino testified that Valence seeks to drill additional horizontal wells in the Field. In aid of development, Valence seeks to decrease the Field’s first and last take point distance from 330 feet to 200 feet from the nearest lease line. 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 roughly 227 million cubic feet of gas per well that would otherwise go unrecovered.<sup>2</sup> With regard to Valence’s requested box rule amendment, Mr. Trevino testified that increasing the existing box rule to 50’ feet will provide for faster drilling that will reduce drilling costs per well.

Valence submitted a list of several Cotton Valley fields surrounding the Field that have field rules providing for 200’ first and last take points. 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.

The Examiners recommend that the subject application be approved.

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

<sup>2</sup> Valence Exh. 11.

**FINDINGS OF FACT**

1. Valence Operating Company (“Valence”) seeks to amend the existing special field rules for the Overton (Cotton Valley Sand) 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, and to increase the existing box rule from 33 feet to 50 feet.
4. Amending the Field’s first and last take point provision to 200 feet will theoretically add 227 MMCFG of recoverable reserves per well that would otherwise go unrecovered.
5. Amending the Field’s 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 a 50’ box rule will promote development of the Field.
7. Amending the Field’s existing special field rules to provide for 200’ first and last take points will prevent waste and protect correlative rights.
8. Amending the Field’s existing special field rules to provide for a 50’ box rule 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 Overton (Cotton Valley Sand) 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 Overton (Cotton Valley Sand) Field be amended to provide for 200' first and last take points and a 50' box rule, as proposed by Valence Operating Company.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Terry Johnson  
Legal Examiner