



## RAILROAD COMMISSION OF TEXAS

### HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 05-0298738**

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**THE APPLICATION OF VALENCE OPERATING COMPANY TO AMEND FIELD  
RULE NO. 2 FOR THE FOR THE NAN-SU-GAIL (CV CONS)FIELD, FREESTONE  
COUNTY, TEXAS**

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**HEARD BY:** Richard Eyster, P.G. – Technical Examiner  
Ryan Lammert – Administrative Law Judge

**HEARING DATE:** December 16, 2015

**CONFERENCE DATE:** October 11, 2016

**APPEARANCES:**

Andres Trevino

**REPRESENTING:**

Valence Operating Company

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Valence Operating Company is requesting to amend Field Rule No. 2 for the for the Nan-su-gail (Cv Cons)field, Freestone County, Texas.

Field Rules for the NAN-SU-Gail (CV- Consolidated) Field were originally adopted in Final Order No. 05-0252491, effective February 26, 2008, as amended. The Field Rules in effect for the field are summarized as follows:

1. Designation of the field as the correlative interval from 10,875 feet to 14,420 feet as shown on the log of the Anadarko Petroleum Corporation's, Hill B Lease, Well No. 1.
2. 467-600' well spacing for all wells,
3. 640 acre gas units with optional 20 acre density;

4. Allocation based on 95% deliverability and 5% per well with AOF status.

Valence Operating Company ("Valence") requests that Field Rule No. 2 be amended to change the 467'/600' well spacing to 330'/600' well spacing, add take point language with NPZs, add a 50 ft. box rule, and provide for 200 ft. first and last take points.

The application was unopposed and the Administrative Law Judge and the Technical Examiner (collectively the Examiners) recommend that Field Rule No. 2 be amended for the NAN-SU-Gail (CV-Consolidated) Field, as proposed by Valence Operating Company ("Valence").

### **DISCUSSION OF EVIDENCE**

The Nan-Su-Gail (CV Consolidated) Field is a tight, non-associated gas field which was formed in 2002 with the consolidation of various fields. There are approximately 290 wells on the current proration schedule and 13 operators. Current production from the field is approximately 1.7 BCF of gas per month. Valence currently operates approximately 49 wells which produce approximately 900 MMCF per month.

Valence is proposing to drill additional horizontal wells and requests the current field rules be amended in order to promote the efficient and effective development of the remaining hydrocarbons. The Field is a tight gas field that has been developed with vertical and limited horizontal wells. Currently the Field allows for horizontal wells development but does not allow for dual lease line spacing. Granting the 200 foot first and last take point rule would allow additional feet of reservoir contact per lateral. Valence contends that having a 200 foot first and last take point provision would allow an additional 7.1% of reserves of approximately 768 million cubic feet per well will be recovered. Valence's proposed field rule amendments are consistent with those for other Cotton Valley Formation fields in the area.

Adoption of the proposed field rule amendment will facilitate the orderly development of the field, reduce waste and protect correlative rights. The Examiners recommend approval of the proposed rule amendments.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Nan-Su-Gail (CV Consolidated) Field is a non-associated gas field which was formed in 2002 with the consolidation of various fields
  - a. The Field has a correlative interval from 10,875 feet to 14,420 feet as shown on the log of the Anadarko Petroleum Corporation's, Hill B

Lease, Well No. 1.

- b. The field is designated as non-associated with 250 producing gas wells and thirteen operators carried on the proration schedule.
  - c. The field currently operates under Field Rules that provide for a designated interval, 467-600 ft. zero well spacing for all wells, and 640 acre gas units with optional 20 acre density.
  - d. The allocation formula is currently suspended.
3. There are currently 13 operators with 259 gas wells in the field.
  4. Cumulative production is about 1.3 MMCF gas.
  5. The Nan-SU-GAIL (CV-Consolidated) Field is actively being developed with horizontal drainhole wells.
  6. Valence's proposed field rule amendments are consistent with those for other Cotton Valley Formation fields in the area.
  7. The amended Field Rules will provide consistency in developing the field and will allow greater flexibility in selecting future drilling locations.
  8. 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. 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 proposed field rules will prevent waste and promote the orderly development of the Nan-SU-GAIL (CV-Consolidated) Field.

#### **EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission amend Field Rule No. 2, as proposed by Valence Operating Company for the Nan-SU-GAIL (CV-Consolidated) Field.

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'R. Eyster', written in a cursive style.

Richard Eyster, P.G.  
Technical Examiner

A handwritten signature in blue ink, appearing to be 'Ryan Lammert', written in a cursive style.

Ryan Lammert  
Administrative Law Judge