



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 06-0301495

THE APPLICATION OF TANOS EXPLORATION II, LLC TO AMEND FIELD RULES FOR THE WILLOW SPRINGS (COTTON VALLEY) FIELD, GREGG AND UPSHUR COUNTIES, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: September 26, 2016

CONFERENCE DATE: October 25, 2016

APPEARANCES:

George Neale
Rick Johnston

REPRESENTING:

Tanos Exploration II, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Tanos Exploration II, LLC ("Tanos") seeks to amend the field rules for the Willow Springs (Cotton Valley) Field (No. 97752 100) in Gregg and Upshur Counties, Texas. Tanos seeks to amend the field rules as follows:

1. Amend the existing lease line spacing from 467 feet to 330 feet for vertical and horizontal wells, adopt 200-foot spacing for the first and last take points of horizontal wells, and establish a 50-foot box rule; and
2. Remove the provisions that provide for no maximum diagonal, the required filing of Forms P-15, and no required filing of proration unit plats.

Tanos has demonstrated that the proposed field rule amendments will prevent waste, protect correlative rights, and promote the orderly development of the field. The application is not protested. The Technical Examiner and Administrative Law Judge (hereinafter, "Examiners") recommend the field rules be amended as requested by Tanos.

DISCUSSION OF THE EVIDENCE

The Willow Springs (Cotton Valley) Field was discovered on July 10, 1975 at a depth of 11,447 feet. The field is a non-associated gas field. There are currently about 290 producing wells in the field. Field rules were adopted on March 19, 1979 (Docket No. 6-71,717) and have been amended several times, most recently on March 25, 2014 (Docket No. 06-0285735). The field was originally developed with vertical wells but has seen horizontal well development in recent years. Horizontal wells have demonstrated a much greater drainage efficiency than vertical wells. The current field rules include standard provisions for horizontal well development, 160-acre standard proration units and 40-acre optional proration units.

The field rules for other Cotton Valley gas reservoirs in the area have similar density provisions (160-acre or larger standard units with 40-acre options) and lease line spacing provisions of 330 feet. Therefore, Tanos requests 330-foot lease line spacing for the Willow Springs (Cotton Valley) Field for parity and competitive purposes. Further, reducing the lease line spacing for first and last take points will expose an additional 534 feet of wellbore to drainage, which will prevent waste and protect correlative rights.

The other requested field rule amendments (50-foot box rule, no maximum diagonal, the required filing of Forms P-15, and no required filing of proration unit plats) have become standard for fields being actively developed with horizontal wells.

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 the hearing.
2. The Willow Springs (Cotton Valley) Field was discovered on July 10, 1975 at a depth of 11,447 feet.
3. The field is a non-associated gas field.
4. There are currently about 290 producing wells in the field.
5. Field rules were adopted on March 19, 1979 (Docket No. 6-71,717) and have been amended several times, most recently on March 25, 2014 (Docket No. 06-0285735).
6. The current field rules include standard provisions for horizontal well development, 160-acre standard proration units and 40-acre optional proration units.
7. The field was originally developed with vertical wells but has seen horizontal well development in recent years.
8. Horizontal wells have demonstrated a much greater drainage efficiency than vertical wells.

9. The field rules for other Cotton Valley gas reservoirs in the area have similar density provisions (160-acre or larger standard units with 40-acre options) and lease line spacing provisions of 330 feet.
10. 330-foot lease line spacing for the Willow Springs (Cotton Valley) Field will harmonize field rules among various Cotton Valley fields.
11. Reducing the lease line spacing for first and last take points will expose an addition 534 feet of wellbore to drainage, which will prevent waste and protect correlative rights.
12. The requested provisions for a 50-foot box rule, no maximum diagonal, the required filing of Forms P-15, and no required filing of proration unit plats are standard for fields being actively developed with horizontal wells.
13. The proposed field rule amendments will reduce waste, protect correlative rights, and promote the orderly development of 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 §§ 1.43 and 1.45.
3. The proposed field rule amendments will reduce waste, protect correlative rights, and promote the orderly development of the field.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Tanos Exploration II, LLC to amend the field rules for the Willow Springs (Cotton Valley) Field.

Respectfully submitted,



Paul Dubois
Technical Examiner



Jennifer Cook
Administrative Law Judge