

**APPLICATION OF VALENCE OPERATING COMPANY TO ADOPT FIELD RULES AND CONSOLIDATE THE BOX CHURCH (COTTON VALLEY LIME) FIELD INTO THE BOX CHURCH (COTTON VALLEY) FIELD, LIMESTONE COUNTY, TEXAS**

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**HEARD BY:** Andres J. Trevino, P.E.

**DATE OF HEARING:** April 11, 2008

**APPEARANCES:**

Rick Johnston

**REPRESENTING:**

Valence Operating Company

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unopposed application of Valence Operating Company for the Commission to consider consolidation of the Box Church (Cotton Valley Lime) Field into the Box Church (Cotton Valley) Field and adopting the field rules for the Box Church (Cotton Valley) Field. Both fields currently operate under Statewide Rules and are 100% AOF.

Valence Operating proposes the following field rules be adopted:

1. The entire correlative interval from 8,690' to 10,400' as shown on the Computer Processed log of the Valence Operating Company, Wilson "V" Lease Well No. 2, J. N. Acosta Survey, A-1, Limestone County, Texas, should be designated as the Box Church (Cotton Valley) Field.
2. Minimum well spacing of 467'/600' (lease line/between well),
3. 40 acre proration units with an optional 20 acre units, and
4. Two factor allocation based on 95% deliverability and 5% per well.

It is also proposed that the allocation formula remain suspended and the filing of P-15 and plats not be required. The examiner recommends approval of the proposed rules.

**DISCUSSION OF THE EVIDENCE**

The Box Church (Cotton Valley) Field was discovered in 1982 at a depth of 8,930' subsurface depth. The field is governed by Statewide field rules. There are four operators in the field and 33 wells. The Box Church (Cotton Valley) Field has produced 38.4 BCF of gas and 77.8 MBO. The allocation formula has been suspended since 1996. The Cotton

Valley Formation is comprised of a series sand lenses some of which are continuous across several wells and other discontinuous lenses that are wellbore specific.

The Box Church (Cotton Valley Lime) Field was discovered in 1983 at a depth of 10,974' subsurface depth. The field is governed by Statewide field rules. There are four operators in the field and five wells. The Box Church (Cotton Valley Lime) Field has produced 5 BCF of gas and 5.5 MBO. The allocation formula for this field is currently suspended. Because the fields produce from the different sections of the Cotton Valley Formation, the entire correlative interval from 8,690' to 10,400' as shown on the Computer Processed log of the Valence Operating Company, Wilson "V" Lease Well No. 2, J. N. Acosta Survey, A-1, Limestone County, Texas, should be designated as the Box Church (Cotton Valley) Field

Valence proposes to retain the 40 acre units and add an optional 20 acre gas proration unit density which is necessary to provide for the efficient and effective depletion of the subject field. Production decline analysis was studied on two wells to substantiate the proposed optional 20 acre density. Valence's, Wilson "V" Well No. 1 has a calculated EUR of 1,622 MMCF and an estimated drainage area of 19.4 acres. Valence's, Wilson "V" Well No. 2 has a calculated EUR of 694 MMCF and an estimated drainage area of 6.3 acres.

The proposed minimum well spacing, 467'/600' (leaseline/between well), will provide for flexibility in locating wells which will be drilled primarily to produce in the Box Church (Cotton Valley).

Because the proposed designated interval contains multiple sands, a two factor allocation formula is required by statute. Valence proposes that allocation be based on 95% deliverability and 5% per well. This allocation formula is currently suspended and Valence requests continuation of this status.

### **FINDINGS OF FACT**

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Box Church (Cotton Valley) Field was discovered in 1982 at a depth of 8,930' subsurface depth.
  - a. The field is governed by Statewide Rules.
  - b. There are four operators in the field and 33 wells.
  - c. The Box Church (Cotton Valley) Field has produced 38.4 BCF of gas and 77.8 MBO.
  - d. The allocation formula has been suspended since 1996.

4. The Box Church (Cotton Valley Lime) Field was discovered in 1983 at a depth of 10,974' subsurface depth.
  - a. The field is governed by Statewide Rules.
  - b. There are four operators in the field and five wells.
  - c. The Box Church (Cotton Valley Lime) Field has produced 5 BCF of gas and 5.5 MBO.
5. The Box Church (Cotton Valley) Field should be designated as the correlative interval from 8,690' to 10,400' as shown on the log of the Wilson "V" Lease Well No. 2.
6. Optional 20 acre gas proration unit density is necessary to provide for the efficient and effective depletion of the subject field. Drainage calculations performed on two wells showed the wells drained 19.4 acres and 6.3 acres.
7. The proposed minimum well spacing, 467'/600' (leaseline/between well), will provide for flexibility in locating wells in all productive zones in the Box Church (Cotton Valley) Field without the need for unnecessary Rule 37 exceptions.
8. Allocation based on 95% deliverability and 5% per well is a reasonable allocation formula which satisfies statutory requirements.
9. Continuation of the administrative suspension of the allocation formula in 1996 is appropriate as there was no protest to the continuation presented at this hearing.

**CONCLUSIONS OF LAW**

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.
3. Consideration of field rules, a determination of their effectiveness and appropriate actions is a matter within the Commission jurisdiction.
4. Consolidation of the fields as proposed by Valence Operating Company is necessary to prevent waste and protect correlative rights.
5. Adoption of the proposed amended field rules will prevent waste, foster

conservation and protect correlative rights.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed field consolidation and proposed field rules for the Box Church (Cotton Valley) Field and the suspension of the allocation formula.

Respectfully submitted,

Andres J. Trevino, P.E.  
Technical Hearings Examiner