

March 30, 2000

OIL AND GAS DOCKET NO. 05-0224106

THE APPLICATION OF HERD PRODUCING COMPANY, INC., TO AMEND FIELD RULES IN THE FARRAR (COTTON VALLEY LIME) FIELD, FREESTONE AND LIMESTONE COUNTIES, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: February 23, 2000

Hearing held: March 30, 2000

Appearances

John Soule
Rick Johnston

Representing
Herd Producing Company, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The existing rules for the Farrar (Cotton Valley Lime) Field were adopted May 7, 1979, under Docket No. 5-72,327, as amended, and are summarized as follows:

1. Well spacing of 660-1320 feet;
2. 160 acre gas proration units; and
3. Allocation based on acreage.

Herd Producing seeks to rescind the spacing and density rules and to adopt the following two rules:

1. Designated interval between 13,146 feet and 13,488 feet as shown on the log of the Herd Producing Company, Inc., Standley Lease, Well No. 2 (now the Darrell Standley Lease No. 2 Well No. 2); and
2. Allocation based 95% on deliverability and 5% per well.

DISCUSSION OF THE EVIDENCE

The Farrar (Cotton Valley Lime) Field was discovered in 1977, and field rules were adopted May 7, 1979, that provided for 640 acre density and spacing of 660-1320 feet. The rules were amended in 1988 to require 160-acre density. There have been seven wells produced in the field, only three of which are still active. The applicant plans to recomplete wells to this field and possibly drill additional wells. Because of the possibility of recompleting wells to this field from the Cotton Valley Sand and Travis Peak fields, the operator is seeking the same spacing and density rules as apply in those fields.

The interval extending from 13,146 to 13,488 feet as shown on the log of the Herd Producing Company Darrell Standley Lease Well No. 2 (now the Darrell Standley Lease No. 2, Well No. 2) encompasses the productive Cotton Valley limestone interval in the subject field. Because of the multiple reservoirs within this designated interval a two-factor allocation formula is mandated by statute. Cumulative production from the field is 9 BCF, and the best deliverability rate among the remaining active wells is 119 MCF per day.

The applicant believes that Statewide spacing and density rules should apply because none of the wells in the field will drain anywhere near 160 acres. The applicant has estimated the ultimate recovery of four wells from this field and calculated the wells' drainage areas. The average porosity is 5% and the net pay ranges from 54 to 112 feet. The type well encountered virgin pressure when it was drilled in 1977, and has already recovered 2.5 BCF. The remaining production is estimated to be 500 MMCF, and this well's calculated drainage area will be 69 acres. Another well produced 861 MCF from the Cotton Valley lime before being abandoned, and its calculated drainage area was 26 acres. The other two wells have estimated ultimate recoveries of 786 and 700 MMCF, and will drain 36 and 19 acres respectively.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the Farrar (Cotton Valley Lime) Field on March 7, 2000.
2. The field rules for the Farrar (Cotton Valley Lime) Field were adopted in Final Order No. 5-72,327, effective May 7, 1979, as amended.
3. The subject field was discovered in 1977, and has cumulative production of 9 BCF.
4. The designated interval proposed for the consolidated Farrar (Cotton Valley Lime) Field extends from 13,146 feet to 13,448 feet as shown on the log of the Herd Producing Company Darrell Standley Lease No. 2, Well No. 2.
5. This designated interval includes multiple, stratigraphic reservoirs and a two factor allocation is required for statutory reasons.
6. The proposed allocation formula, based 5% per well and 95% on deliverability, will protect

- correlative rights and satisfy statutory requirements.
7. Seven wells have produced from this field but only three wells are still active.
 10. Current production from the active wells in the Farrar (Cotton Valley Lime) Field averages less than 120 MCF/D.
 11. Statewide spacing and density rules are appropriate for the Farrar (Cotton Valley Lime) Field.
 - a. The Darrell Standley Lease No. 2, Well No. 2, has already produced 2.5 BCF since 1977, and its calculated drainage area will be 69 acres.
 - b. The drainage area of a well now abandoned in the Cotton Valley lime was calculated to be 26 acres.
 - c. The calculated drainage areas of the other two remaining active wells are 36 and 19 acres respectively.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The requested amended field rules for the Farrar (Cotton Valley Lime) Field, will prevent waste, protect correlative rights within the field, and satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the existing rules for the Farrar (Cotton Valley Lime) Field should be amended to include the proposed designated interval and allocation formula, while the special rules governing spacing and density should be rescinded.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission action: April 25, 2000.

Exhibits

1. Proration schedule
2. Summary of proposed rules
3. Map
4. Type log
5. EUR and drainage calculations for the Standley GU 2, Well No. 2
6. EUR and drainage calculations for the Triple H Ranch GU 1, Well No. 3
7. EUR and drainage calculations for the Standley 1, Well No. 1
8. EUR and drainage calculations for the Standley GU 2, Well No. 3
9. Cumulative recovery from subject field