



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 06-0273135

THE APPLICATION OF VALENCE OPERATING TO ADOPT FIELD RULES FOR THE YANTIS (HILL ZONE) FIELD, WOOD COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E., Technical Examiner
Michael Crnich, Legal Examiner

Hearing Date: November 29, 2011

Appearances:

Rick Johnston

Representing:

Valence Operating

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The field rules (Statewide Rules) for the Yantis (Hill Zone) Field are summarized as follows:

1. 467'-1,200' well spacing;
2. 40 acre oil units with 20 acre tolerance;
3. Allocation based on 100% per well.

Valence Operating requests that field rules be amended as follows :

1. Designation of the field as the correlative interval from 7,724 feet to 7,967 feet as shown on the log of the David Schlachter's Mary Lou Foster No. 1;
2. 330'-660' well spacing;

3. 40 acre units for oil wells (No change);
4. Allocation based on 100% acreage (No change).

This application was unopposed and the examiner recommends that the field rules for the Yantis (Hill Zone) Field be adopted as requested.

DISCUSSION OF EVIDENCE

The Yantis (Hill Zone) Field was discovered in 1950 at a depth of approximately 7,716 feet. There are four oil wells in the field. Valence is the only operator in the field.

The Yantis (Hill Zone) Field is nearly depleted, marginally productive formation that may contain remaining oil resources. Other productive formations found in the area include the Smackover, the Rodessa and the Heard Zone. The Hill Zone is not a primary target for drilling and completing a new well. The Hill Zone is considered a secondary "behind pipe" reserves as economics do not justify drilling a new well. Valence will recompleat and/or reenter existing wells it operates into the Hill Zone. Valence requests 330'-660' well spacing for the Yantis (Hill Zone) Field, similar to other Yantis fields, so that it can recompleat and/or reenter and commingle existing wells into the Hill Zone without the need for Rule 37 exceptions to recover any existing oil reserves.

Valence submitted a log to establish a designated interval for the field. The interval from 7,724 feet to 7,967 feet as shown on the log of the David Schlachter's Mary Lou Foster No. 1 should be designated as the Yantis (Hill Zone) Field. This interval includes the entire Hill Zone formation. The interval lies above the Heard Zone.

Valence requests no change in field density as remaining reserves are limited and the Hill Zone is partially depleted.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. Field rules for the Yantis (Hill Zone) Field provide for 467'-1,200' well spacing, 40 acre oil and gas units and allocation based on 100% per well.
3. The Yantis (Hill Zone) Field is an oil field that was discovered in 1950 at a depth of approximately 7,716 feet.
4. There are four oil wells in the field. Valence is the only operator in the field.

5. The Yantis (Hill Zone) Field is a depleted, marginally productive formation that is currently not the primary target for new drilling but may contain remaining oil and gas resources.
6. The interval from 7,724 feet to 7,967 feet as shown on the log of the David Schlachter's Mary Lou Foster No. 1 should be designated as the Yantis (Hill Zone) Field. This interval includes the entire Hill Zone formation.
7. Development of the field on 40 acre units is appropriate as remaining reserves are limited and the Hill Zone is partially depleted.
8. The proposed 330'-660' well spacing is similar to other Yantis fields in the area and will allow flexibility in recompleting and/or reentering existing wells and commingling with the Hill Zone to recover any remaining oil and gas reserves.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Adopting field rules for the Yantis (Hill Zone) Field is necessary to prevent waste and protect correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend that field rules for the Yantis (Hill Zone) Field be adopted to provide for a designated interval, 40 acre units and 330'-660' well spacing.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Michael Crnich
Legal Examiner