

THE APPLICATION OF VALENCE OPERATING TO AMEND FIELD RULES FOR THE HITTS LAKE (PALUXY) FIELD, SMITH COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E., Technical Examiner
Marshall Enquist, Legal Examiner

Hearing Date: March 30, 2012

Appearances:

Rick Johnston

Representing:

Valence Operating

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unopposed application of Valence Operating (Valence) to amend the field rules first adopted in Oil and Gas Docket No. 6-27,782, issued effective November 16, 1953, for the Hitts Lake (Paluxy) Field that currently provide for the following:

1. 467'-933' well spacing;
2. 40 acre oil units with 20 acre tolerance;
3. Allocation based on 50% acreage and 50% per well;
4. Casing rule.

Valence Operating requests that field rules be amended as follows :

1. Designation of the field as the correlative interval from 7,195 feet to 7,315 feet as shown on the log of the Sun Oil's Hitts Lake No. 2;
2. 330'-660' well spacing;
3. 40 acre units for oil wells (No change);
4. Allocation based on 50% acreage and 50% per well (No change).

This application was unopposed and the examiner recommends that the field rules for the Hitts Lake (Paluxy) Field be adopted as requested.

DISCUSSION OF EVIDENCE

The Hitts Lake (Paluxy) Field was discovered in 1953 at a depth of approximately 7,307 feet. There are 9 producing oil wells 21 shut in wells and 7 injection wells in the field. There are two other operators in the field.

The Hitts Lake (Paluxy) Field is a depleted, marginally productive waterflooded field that may contain significant remaining oil and gas resources near the edge of the unit. Valence believes significant oil reserves were pushed to the edge of the Hitts Lake Unit which was first waterflooded in 1977. Valence will drill new wells within 330 feet from leaselines as opposed to 467 feet that current field rules allow. Allowing wells to get closer to the leaseline will allow the recovery of significant oil reserves that would otherwise go unrecovered. Valence requests 330'-660' well spacing for the Hitts Lake (Paluxy) Field, similar to other Paluxy fields such as the Shamburger Lake (Paluxy) Field, so that it can drill new wells into the Paluxy 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 7,195 feet to 7,315 feet as shown on the log of the Sun Oil's Hitts Lake No. 2 should be designated as the Hitts Lake (Paluxy) Field. This interval includes the entire Paluxy formation.

Valence requests no change in field density as remaining reserves are limited and the Paluxy is a high permeability sandstone.

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. Special field rules for the Hitts Lake (Paluxy) Field provide for 467'-933' well spacing, 40 acre oil units and allocation based on 50% acreage and 50% per well.
3. The Hitts Lake (Paluxy) Field is an oil field that was discovered in 1953 at a depth of approximately 7,307 feet.
4. There are 9 producing oil wells 21 shut in wells and 7 injection wells in the field. There are two other operators in the field.
5. The Hitts Lake (Paluxy) Field is a depleted, marginally productive waterflooded field that may contain significant remaining oil and gas resources near the edge of the unit.
6. The interval from 7,195 feet to 7,315 feet as shown on the log of the Sun

Oil's Hitts Lake No. 2 should be designated as the Hitts Lake (Paluxy) Field. This interval includes the entire Paluxy Sand formation.

7. Valence requests no change in field density as remaining reserves are limited and the Paluxy is a high permeability sandstone.
8. The proposed 330'-660' well spacing is similar to other Paluxy fields in the area and will allow flexibility in drilling new wells near the edge of the waterflood unit to recover any remaining oil and gas reserves which were pushed there by the waterflood activities.

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 Hitts Lake (Paluxy) 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 Hitts Lake (Paluxy) Field be amended to provide for a designated interval, and 330'-660' well spacing.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner

Marshall Enquist
Legal Examiner