

THE APPLICATION OF VALENCE OPERATING COMPANY TO ADOPT FIELD RULES FOR THE BLOCKER (PAGE) FIELD, HARRISON COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

HEARING DATE: June 16, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Rick Johnston

Valence Operating Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Valence Operating Company ("Valence") requests that Field Rules for the Blocker (Page) Field be adopted. Valence proposes the following Field Rules:

1. Designation of the field as the correlative interval from 6,510 feet to 6,540 feet as shown on the log of the Valence Operating Company - Reese Lease, Well No. 1 (API No. 42-203-33819);
2. 330'-600' well spacing;
3. Allocation based on 100% deliverability with AOF status;
4. Special provision for an allowable gas-oil ratio of 10,000 cubic feet per barrel.

The application was unopposed and the examiner recommends that Field Rules for the Blocker (Page) Field be adopted, as proposed by Valence.

DISCUSSION OF THE EVIDENCE

The Blocker (Page) Field was discovered in December 1980 at an average depth of 6,800 feet. The field is classified as associated and operates under Statewide Rules. There are currently two producing oil wells, seven producing gas wells and fifteen operators carried on the proration schedules. The top oil allowable is the 1965 Yardstick Allowable of 111 barrels of oil per day with an allowable gas-oil ratio of 10,000 cubic feet per barrel. Cumulative production from the field through March 2011 is 6.2 BCFG and

118.2 MBO.

There is currently no defined field interval for the field. Valence requests that the field be defined as the correlative interval from 6,510 feet to 6,540 feet as shown on the log of the Valence Operating Company - Reese Lease, Well No. 1 (API No. 42-203-33819), Section 27, M. Duncan Survey, A-197, Harrison County, Texas. This interval includes the entire productive portion of the Page formation.

Valence is proposing to drill additional wells and requests Field Rules to promote the efficient and effective development of the remaining hydrocarbons. Valence requests 330'-600' well spacing and allocation based on 100% deliverability with AOF status. Valence proposes that the density remain on Statewide Rules with 40 acre units and that the allowable gas-oil ratio of 10,000 cubic feet per barrel be retained.

Valence is in the early stages of development for the Blocker (Page) Field and believes it should be developed with similar Field Rules as the deeper Beckville (Cotton Valley) and Carthage (Haynesville Shale) Fields. Similar Field Rules for all three fields will eliminate any Statewide Rule 37 exceptions that might be required when commingling any of the different fields.

Allocation based on 100% deliverability is appropriate given that the interval is not lenticular. Valence requests that the allocation formula remain suspended, as there is a 100% market demand for all of the gas produced from the field. Additionally, Valence requests that proration unit plats not be required for individual wells, but that Form P-15 be filed to designate the number of acres to be assigned to each well.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The Blocker (Page) Field was discovered in December 1980 at an average depth of 6,800 feet.
 - a. The field is classified as associated and operates under Statewide Rules.
 - b. There are currently two producing oil wells, seven producing gas wells and fifteen operators carried on the proration schedules.
 - c. The top oil allowable is the 1965 Yardstick Allowable of 111 barrels of oil per day with an allowable gas-oil ratio of 10,000 cubic feet per barrel.

3. The Blocker (Page) Field should be defined as the correlative interval from 6,510 feet to 6,540 feet as shown on the log of the Valence Operating Company - Reese Lease, Well No. 1 (API No. 42-203-33819). This interval includes the entire productive portion of the Page formation.
4. Valence is proposing to drill additional wells and requests Field Rules to promote the efficient and effective development of the remaining hydrocarbons.
 - a. Well spacing of 330'-600', density on Statewide Rules with 40 acre units and an allowable gas-oil ratio of 10,000 cubic feet per barrel is appropriate for the field.
 - b. The Blocker (Page) Field should be developed with similar Field Rules as the deeper Beckville (Cotton Valley) and Carthage (Haynesville Shale) Fields.
 - c. Similar Field Rules for all three fields will eliminate any Statewide Rule 37 exceptions that might be required when commingling any of the different fields.
5. Allocation based on 100% deliverability is a reasonable formula which will protect correlative rights of mineral owners in the field.
6. Continued suspension of the allocation formula is appropriate, as there is a 100% market demand for all of the gas produced from the field.

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 Blocker (Page) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission adopt Field Rules for the Blocker (Page) Field, as requested by Valence Operating Company.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner