

**OIL AND GAS DOCKET NO. 10-0251624**

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**THE APPLICATION OF VALENCE OPERATING CO. TO AMEND THE FIELD RULES FOR THE RULER (MORROW UPPER) FIELD, ROBERTS COUNTY, TEXAS**

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**Heard by:** Donna K. Chandler on June 4, 2007

**Appearances:**

Rick Johnston

**Representing:**

Valence Operating Co.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Field rules for the Ruler (Morrow Upper) Field were adopted on July 30, 1979 by Final Order No. 10-72,830. The rules are summarized as follows:

1. 1,250-2,500' well spacing;
2. 640 acre gas units;
3. Allocation based on 100% acreage.

Valence Operating, Inc. requests that the rules be amended as follows:

1. Designation of the field as the correlative interval from 9,710 feet to 9,745 feet as shown on the log of the Payne "A Well No. 1;
2. 467'-1,200' well spacing;
3. 640 acre gas units and optional 160 acre units;
4. Allocation based on 100% deliverability, with AOF status.

This application was unopposed and the examiner recommends approval of the amendments to the field rules for the Ruler (Morrow Upper) Field as requested by Valence Operating, Inc.

### **DISCUSSION OF THE EVIDENCE**

The Ruler (Morrow Upper) Field was discovered in 1975 and is a non-associated gas field with three producing wells. Valence Operates two wells and Samson Lone Star LP operates one well. Three other wells produced from the field but have been plugged. Cumulative production from the field is 7.6 BCF of gas.

Valence submitted drainage calculations for the three existing wells in the field which demonstrate the need to amend the density rule to include optional 160 acre units. Net pay ranges from 9 feet to 27 feet and estimated ultimate recoveries range from 549 MMCF to 2,002 MMCF. The calculated drainage areas range from 135 acres to 152 acres

The proposed well spacing of 467'-1,200' will accommodate use of existing wellbores to test the Upper Morrow without obtaining Rule 37 exceptions.

Valence requests that the allocation formula be suspended in the field because there is a market for all gas produced. However, should the allocation formula ever be reinstated, Valence requests that it be based on 100% deliverability instead of 100% acreage. Valence feels that acreage would not be representative of reserves for new wells drilled in the field.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Ruler (Morrow Upper) Field was discovered in 1975 and is a non-associated gas field with three producing wells.
3. Field rules for the Ruler (Morrow Upper) Field currently provide for 1,250'-2,500' well spacing, 640 acre gas units, and allocation based on 100% acreage
4. Addition of a 160 acre optional density rule is necessary to adequately drain the reserves in the Ruler (Morrow Upper) Field.
  - a. For the three existing wells in the field, net pay ranges from 9 feet to 27 feet.
  - b. For the three existing wells in the field, estimated ultimate recoveries range from 529 MMCF to 2,002 MMCF.
  - c. For the three existing wells in the field, the calculated drainage areas range from 135 acres to 152 acres.

5. Well spacing a minimum of 467 feet from lease lines and 1,200 feet between wells will provide flexibility in using existing wellbores for recompletion to the subject field.
6. Allocation based on 100% deliverability is more representative of remaining reserves than acreage.
7. There is a market for all gas produced from the Ruler (Morrow Upper) Field.

**CONCLUSIONS OF LAW**

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Amending the field rules for the Ruler (Morrow Upper) Field is necessary to prevent waste, protect correlative rights, and promote orderly development of the field.

**EXAMINER'S RECOMMENDATION**

Based on the above findings and conclusions, the examiner recommends that the field rules for the Ruler (Morrow Upper) Field be amended to provide for a designated interval, 467'-1,200' well spacing, optional 160 acre density, and allocation based on 100% deliverability, with AOF status.

Respectfully submitted,

Donna K. Chandler  
Technical Hearings Examiner