



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0289580

THE APPLICATION OF BP AMERICA PRODUCTION COMPANY TO AMEND FIELD RULES FOR THE WOODLAWN (COTTON VALLEY) FIELD HARRISON COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Laura Miles-Valdez – Legal Examiner

DATE OF HEARING: September 23, 2014
REPORT PREPARED: January 5, 2015
CONFERENCE DATE: January 27, 2015

APPEARANCES:

APPLICANT:
Bill Hayenga
Keith Masters

OBSERVER:

Rick Johnston

REPRESENTING:

BP America Production Company

Valence Operating Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field rules for the Woodlawn (Cotton Valley) Field were adopted in Final Order 6-67,498, effective September 6, 1977. The field rules were last amended in Final Order 06-0267028, effective November 2, 2010. The current field rules in effect for gas wells in the field are summarized as follows:

1. A designated correlative interval from 8,370' to 9,980' as shown on the Dual Induction laterolog of the Amoco Production Company, Slaughter Gas Unit "B" Well No. 2, (API No. 42-203-30185) B.L. Watkins Survey, A-750, Harrison County, Texas;

2. Minimum gas well spacing of 330', lease line, with 0' between well spacing, 330' take point provisions, off lease penetration, 50' box rule;
3. 640 acre gas proration units plus 10% tolerance and optional 20 acre gas proration units with no maximum diagonal;
4. An allocation formula based on 95% deliverability and 5% per well with AOF Status;
5. A stacked lateral rule.

BP America Production Company ("BP") originally requested to amend field rule 2 to provide for a dual take point rule of a minimum of 100 feet from first and last take points to any property line, lease line, or subdivision line and a minimum of 330 feet perpendicular distance from any property line, lease line, or subdivision line. The current field rule spacing requirement is a minimum of 330 feet distance from any property line, lease line, or subdivision line.

The application was originally set for hearing on July 14, 2014. On June 24, 2014, the Commission received a letter of protest filed by Valence Operating Company ("Valence"). A continuance was granted on July 9, 2014, and the hearing was re-scheduled for September 23, 2014. At the call of the hearing, Mr. Bill Hayenga, attorney representing BP, stated that there was a preliminary matter to address, which was to amend the application request from dual lease line spacing of 330 feet perpendicular, 100 feet from first and last take points, to 200 feet from first and last take points. With the change to the proposed field rules of 200 feet from first and last take points instead of 100 feet for horizontal wells, the application is unopposed and the examiners recommend that the field rules be amended.

DISCUSSION OF THE EVIDENCE

The Woodlawn (Cotton Valley) Field was discovered on January 10, 1965, at a depth of 9,592 feet and is located on the Sabine uplift in Harrison County, Texas. BP is a current operator in the subject field and there are a total of 232 active wells in the field. All of the current wells in the field are gas wells with the exception of one oil well listed on the September, 2014 oil proration schedule for the field. The special field rules only pertain to gas wells at this time as oil wells are under Statewide rules.

The current field rules in effect for the field were amended on November 2, 2010 in Final Order 06-0267028. BP requests to amend the current 330 feet minimum distance from all take points along a horizontal drainhole to any property line, lease line, or subdivision line to 200 feet minimum distance from first and last take points while maintaining the minimum 330 feet perpendicular spacing to any property line, lease line, or subdivision line. Mr. Keith Masters testified that the fractures are draining less than 330 feet in a lateral direction from fracture faces. In Mr. Masters' opinion, the fractures are draining approximately 175 feet in a lateral direction from fracture faces based on

the current between stage spacing of hydraulic fracture stimulation stages of several operators in the subject field. Numerous Cotton Valley fields, including the Bear Grass (Cotton Valley Cons) Field, the Henderson, E. (Cotton Valley) Field, and the McLeod, North (CV) Field, have already adopted dual lease line spacing for horizontal wells, with either 100 feet or 200 feet minimum distance from first and last take points along the horizontal drainhole.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing. The Commission received a letter of protest filed by Valence Operating Company. A continuance was granted on July 9, 2014, and the hearing was re-scheduled for September 23, 2014. At the call of the hearing, Mr. Bill Hayenga, attorney representing BP, stated that there was a preliminary matter to address, which was to amend the application request. With the amendment to the proposed dual lease line spacing the application is unopposed.
2. Valence Operating Company attended the hearing as an observer.
3. The Woodlawn (Cotton Valley) Field was discovered on January 10, 1965 at a depth of 9,592 feet.
4. Field rules for the Woodlawn (Cotton Valley) Field were last amended in Final Order No. 06-0267028, effective November, 2, 2010.
5. Numerous Cotton Valley fields, including the Bear Grass (Cotton Valley Cons) Field, the Henderson, E. (Cotton Valley) Field, and the McLeod, North (CV) Field, have already adopted dual lease line spacing for horizontal wells, with either 100 feet or 200 feet minimum distance from first and last take points along the horizontal drainhole.
6. Reducing the lease line spacing from 330 feet to 200 feet from first and last take points that are transverse to the predominant fracture plane will prevent waste.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.
2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.