



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0301489

**THE APPLICATION OF VALENCE OPERATING COMPANY TO ADOPT
PERMANENT FIELD RULES FOR THE GIRLIE CALDWELL (GOODLAND LM)
FIELD, SMITH COUNTY, TEXAS**

HEARD BY: Karl Caldwell – Technical Examiner
Marshall Enquist – Administrative Law Judge

HEARING DATE: October 6, 2016
CONFERENCE DATE: December 6, 2016

APPEARANCES: **REPRESENTING:**

APPLICANT: Valence Operating Company
Rick Johnston

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Valence Operating Company ("Valence") requests to adopt permanent field rules for the the Girlie Caldwell (Goodland LM) Field (Field No. 35060500), Smith County, Texas. The Girlie Caldwell (Goodland LM) Field was discovered in 1972 and is currently under Statewide rules. Valence proposes the following field rules for the Girlie Caldwell (Goodland LM) Field:

- Rule 1: Adopt a correlative interval to be from 9,050 feet to 9,290 feet as shown on the well log of the Valence Operating Company-Katherine Luscombe Gas Unit Well #5 (Luscombe #5) API No. 42-423-32263, T. Quevado Survey, A-18, Smith County, Texas.
- Rule 2: Adopt a well spacing rule of 330 feet (lease line) – 600 (between well), with no minimum well spacing between horizontal wells and vertical wells. Valence also proposes adopting spacing rules for horizontal wells, including a take point rule of 100 feet for first and last take point, a drill box rule with a 50-foot tolerance, and language pertaining to an off-lease penetration point.

- Rule 3: Maintain the current density of 40-acre oil units for vertical wells.
- Rule 4: Adopt an allocation formula based on 100% acreage with additional acreage assigned under Statewide Rule 86 for horizontal wells.

All operators listed on the October 1, 2016 proration schedule for the Girlie Caldwell (Goodland LM) Field were provided notice of the hearing. The application is unopposed and the Examiners recommend approval of the application.

DISCUSSION OF THE EVIDENCE

The Girlie Caldwell (Goodland LM) Field was discovered on June 15, 1972. The field has been under Statewide rules since its discovery in 1972. There are currently two operators with wells in the field, Valence and Wenexco, Inc. Cumulative oil production to-date for all wells in the field is approximately 108.31 MBO. The Girlie Caldwell (Goodland LM) Field has never had a formally designated field interval. Valence proposes to designate a correlative interval for the field. The proposed field interval is shown from 9,050 feet to 9,290 feet on the well log of the Valence Operating Company-Katherine Luscombe Gas Unit Well #5 (API No. 42-423-32263).

The Girlie Caldwell (Goodland LM) Field is currently on 40-acre density, with lease-line spacing of 467 feet and between well spacing of 1,200-feet. Valence proposes a well spacing rule of a minimum of 330 feet distance lease line spacing and 600 feet between well spacing. Valence also proposes no minimum well spacing between horizontal wells and vertical wells. Lastly, Valence proposes adopting spacing rules for horizontal wells, including a take point rule of 100 feet for first and last take point, a drill box rule with a 50-foot tolerance, and language pertaining to an off-lease penetration point. Rick Johnston, a professional petroleum engineer testified that the proposed first and last take point rule of 100 feet will add a total of 460 feet of additional drainhole length in the correlative interval. This dual lease-line spacing rule for horizontal wells has been adopted in numerous fields with horizontal well completions, including many Eagle Ford fields, as well as the Phantom (Wolfcamp) Field. Based on the the completion and production of the Cowan Unit, Well No. 1H (API No. 42-423-32335) completed in the field, Mr. Johnston estimates that adding 460 feet of additional drainhole length would result in the recovery of an additional 13,543 BO per horizontal well drilled and completed with the proposed dual-lease line spacing rule for horizontal wells. Valence also proposes adopting an allocation formula the field based on 100% acreage, with additional acreage assigned under Statewide Rule 86 for horizontal wells.

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 and no protests were received.
2. The Girlie Caldwell (Goodland LM) Field was discovered on June 15, 1972.

3. The Girlie Caldwell (Goodland LM) Field is currently under Statewide rules.
4. There are currently two operators with wells in the field, Valence and Wenexco, Inc.
5. The current field rules do not contain a correlative interval for the field.
6. Valence proposes to adopt a correlative interval from 9,050 feet to 9,290 feet as shown on the well log of the Valence Operating Company-Katherine Luscombe Gas Unit Well #5 (Luscombe #5) API No. 42-423-32263, T. Quevado Survey, A-18, Smith County, Texas to be shall be designated as a single reservoir for proration purposes as the Girlie Caldwell (Goodland LM) Field.
7. Valence is requesting a well spacing rule of a minimum of 330 feet lease line spacing and 600 feet between well spacing, with no minimum well spacing between horizontal wells and vertical wells. Valence also requests to adopt spacing rules for horizontal wells, including a take point rule of 100 feet for first and last take point, a drill box rule with a 50-foot tolerance, and language pertaining to an off-lease penetration point.
 - a. Adopting a first and last take point rule of 100 feet for horizontal wells will add a total of 460 feet of additional drainhole length in the correlative interval.
 - b. This dual lease-line spacing rule for horizontal wells has been adopted in numerous fields with horizontal well completions, including many Eagle Ford fields, as well as the Phantom (Wolfcamp) Field.
 - c. Based on the the production of the Cowan Unit, Well No. 1H (API No. 42-423-32335) completed in the field, adding 460 feet of additional drainhole length would result in the recovery of an additional 13,543 BO per horizontal well drilled and completed with the proposed dual-lease line spacing rule for horizontal wells.
8. Valence proposes adopting an allocation formula the field based on 100% acreage, with additional acreage assigned under Statewide Rule 86 for horizontal wells.
9. Valence agreed, that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

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.
3. Amending the field rules for the Girlie Caldwell (Goodland LM) Field will prevent waste.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the consent of the applicants, this Final Order is effective when a Master Order relating to this Final Order is signed on December 6, 2016.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission adopt permanent field rules for the Girlie Caldwell (Goodland LM) Field, Smith County, Texas.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Marshall Enquist
Administrative Law Judge