



RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0304594

**THE APPLICATION OF BREITBURN OPERATING L.P. TO AMEND FIELD RULES
FOR THE WHITE OAK (COTTON VALLEY SAND) FIELD AND TO DESIGNATE THE
FIELD AS A UFT FIELD UNDER STATEWIDE RULE 86, GREGG COUNTY, TEXAS**

HEARD BY: Richard Eyster - Technical Examiner
Clayton J. Hoover - Administrative Law Judge

HEARING DATE: September 22, 2017

APPEARANCES:

Tim George
Jim Clark

REPRESENTING:

Breitburn Operating L.P.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Breitburn Operating, L.P. ("Breitburn") seeks to amend the field rules for the White Oak (Cotton Valley Sand) Field, in Gregg County, Texas, and to designate the field as an Unconventional Fracture Treated ("UFT") field pursuant to Statewide Rule 86. Breitburn seeks the proposed rule changes and UFT designation to facilitate future drilling and development of the field with horizontal wells. Breitburn has demonstrated that the proposed field rule amendments and UFT designation will prevent waste, protect correlative rights, and promote the orderly development of the field. The application is not protested. The Technical Examiner and Administrative Law Judge (herein "Examiners") recommend that the field rules be amended, and that the field be designated as a UFT field, as requested by Breitburn.

DISCUSSION OF THE EVIDENCE

The White Oak (Cotton Valley Sand) Field was discovered on July 20, 1991 at a depth of 10,580 feet. The field is a non-associated gas field. There are currently about 133 wells in the field. Field rules were adopted on July 18, 1995 (in Docket No. 06-

0208741) and were amended on March 20, 2012 (in Docket No. 06-0274442). The field was originally developed with vertical wells, but operators are preparing for future drilling and development with horizontal wells. Horizontal wells in other Cotton Valley fields have generally demonstrated a much greater drainage efficiency than vertical wells.

The current field rules include standard provisions for 160-acre standard proration units and 40-acre optional proration units. The field is immediately nearby another similar Cotton Valley field, the Willow Springs (Cotton Valley) Field. That nearby field has seen recent development with horizontal wells and adoption of field rules to facilitate horizontal drilling and development. The rules proposed for this field are similar to those field rules, with an additional request for designation of this field as a UFT Field under Statewide Rule 86. The field rules for that nearby field, and for other Cotton Valley gas reservoirs in the area, have similar density provisions (160-acre or larger standard units with 40-acre options) and dual lease line spacing provisions of 200/330 feet. Drainage calculations also support those proposed unit rules. The proposed acreage allocation formula is appropriate for this reservoir. The other requested field rule amendments (50' box rule, no maximum diagonal, filing of Form P-16, and no required filing of proration unit plats) have become standard for fields developed with horizontal wells and for UFT fields under Statewide Rule 86.

Since 1980, the Cotton Valley formation in this field area has been regulated as a tight gas formation, based on the *in situ* gas permeability of 0.1 millidarcies or less. Numerous other Cotton Valley fields in the area are designated as UFT fields under Statewide Rule 86. With the limited permeability of the Cotton Valley in this field, the use of horizontal drilling and hydraulic fracture treatment are required to optimize recovery of hydrocarbon resources from the field.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing.
2. The White Oak (Cotton Valley Sand) Field was discovered on July 20, 1991 at a depth of 10,580 feet.
3. The field is a non-associated gas field.
4. There are currently 133 wells in the field.
5. Field rules were adopted on July 18, 1995 (in Docket No. 06-0208741) and were amended on March 20, 2012 (in Docket No. 06-0274442).
6. The current field rules include provisions for 160-acre standard proration units and 40-acre optional proration units.

7. The field was originally developed with vertical wells, but operators now are preparing for future drilling and development with horizontal wells.
8. The field is immediately nearby another similar Cotton Valley Sand field, the Willow Springs (Cotton Valley) Field, with recent development with horizontal wells, and field rules to facilitate horizontal drilling and development.
9. The field rules for other Cotton Valley gas reservoirs in the area have similar density provisions (160-acre or larger standard units with 40-acre options) and dual lease line spacing provisions of 200/330 feet, and those rules will promote recovery of hydrocarbons to prevent waste and protect correlative rights in this field. Drainage calculations support the proposed unit rules. The proposed acreage allocation formula is appropriate for this reservoir.
10. The requested field rule amendments (50' box rule, no maximum diagonal, filing of Form P-16, no required filing of proration unit plats) have become standard for fields developed with horizontal wells and for UFT fields under Statewide Rule 86.
11. The *in situ* permeability of the Cotton Valley formation within this field is 0.1 millidarcy or less. Numerous other Cotton Valley fields in the area are designated as UFT fields under Statewide Rule 86.
12. Horizontal drilling and hydraulic fracture treatment must be used in order to recover the resources from all or a part of the field, and UFT designation will promote orderly development of the field.
13. The proposed field rules amendments will reduce waste, protect correlative rights, and promote the orderly development of the field.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051.
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §§ 1.43 and 1.45.
3. The propose field rule amendments and UFT designation will reduce waste, protect correlative rights, and promote the orderly development of the field.

EXAMINERS' RECOMMENDATION

Based in the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Breitburn Operating, L.P. to amend the field rules for the White Oak (Cotton Valley Sand) Field and to designate the field as an Unconventional Fracture Treated field pursuant to Statewide Rule 86.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Clayton J. Hoover
Administrative Law Judge