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RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0311969

APPLICATION OF VALENCE OPERATING COMPANY (881167) TO AMEND THE FIELD RULES FOR THE GOODSON-MCLARTY (RODESSA) FIELD, SMITH COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. - Technical Hearings Examiner
Lynn Latombe - Administrative Law Judge

PREPARED BY: Robert Musick, P.G. - Technical Hearings Examiner
Lynn Latombe - Administrative Law Judge

HEARING DATE: August 27, 2018

CONFERENCE DATE: February 26, 2019

APPEARANCES:

APPLICANT:

Rick Johnston, P.E., Engineer

REPRESENTING:

Valence Operating Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Valence Operating Company ("Valence") seeks to amend field rules for the Goodson-McLarty (Rodessa) Field (No. 35832500), Smith County, Texas. Valence's application requested to adopt a correlative interval; a 330-foot lease line spacing requirement; a 600-foot vertical well density requirement; establish format Form P-16 reporting format; and establish "Allowables" for vertical and horizontal wells with 100% deliverability.

The adoption of the requested Field rules in the amended hearing request will promote horizontal drilling, protect correlative rights, allow for greater flexibility and additional development through the drilling of horizontal wells which will increase recovery and prevent waste.

Notice was given to operators in the Field, the application was not protested, and no protesting party appeared at the hearing. The Technical Examiner and Administrative Law Judge

(collectively, "Examiners") recommend the amended field rules as set out in the Final Order be granted.

DISCUSSION OF THE EVIDENCE

Valence sent a letter dated June 5, 2018, requesting a hearing to amend the field rules. A Notice of Hearing was issued by the Commission on July 11, 2018, to operators in the field at least ten days prior to the date of the hearing. A hearing was held on August 27, 2018.

Valence is requesting to:

- Adopt a correlative interval as follows: "The entire correlative interval is from the top to the base of the Rodessa formation identified from 9,482 to 9,900 feet as shown on the induction resistivity log from Baker Hughes dated March 23, 2010, for the Berkshire Operating, LLC - Bain No. 1 Well (API 42-423-32271), located 1650 FEL and 1450 FSL, Section 48, Don Thomas Quevedo Survey, A-18, Smith County, Texas. The entire correlative interval as described in the Bain No. 1 Well is a single reservoir for proration purposes and is designated as the Goodson-McLarty (Rodessa) Field (Field 35832500), Smith County, Texas."
- Amend the lease line or subdivision line spacing from 467 feet to 330 feet;
- Amend the well density from 1,200 feet to 600 feet;
- Amend the proration unit plats as optional with the filing of a Form P-16 instead of the Form P-15;
- Confirm proration and gas units will remain at 40 acres;
- Confirm the gas allowable is 100% deliverability for vertical and horizontal wells in the Field.

The Goodson-McLarty (Rodessa) Field was discovered on April 25, 1985. The field is about 9,600 feet deep and is a non-associated gas field. The gas field is an exempt field effective March 2013.

Historically, the gas field has lease line spacing at 467 feet, well spacing at 1,200 feet, a proration and drilling unit size at 40 acres and tolerance acreage at 20 acres.

The August 2018, gas proration schedule for the Goodson-McLarty (Rodessa) Field indicates the gas field has two operators: Flint Pipeline Company and Valence, with each operator having one well in the field.

Cumulative production in the Goodson-McLarty (Rodessa) Field is 1,560 billion cubic feet ("BCF") of gas; and 7 thousand barrels of oil ("MBO"). Currently production is from 900 to 1,100 thousand cubic feet ("MCF") per month.

At the hearing, Valence agreed on the record that this Final Order is final and effective when the Master Order relating to the Final Order is signed. The Examiners recommend granting the application as outlined in the proposed Final Order.

FINDINGS OF FACT

1. Notice of this hearing was given on July 11, 2018, to all operators entitled to notice at least ten days prior to the date of the hearing and no protests were received.
2. A hearing was held on August 27, 2018.
3. Valence seeks to amend field rules for the Goodson-McLarty (Rodessa) Field (No.35832500), Smith County, Texas.
4. The Goodson-McLarty (Rodessa) Field was discovered on April 25, 1985. The field is about 9,600 feet deep and is a non-associated gas field. The gas field is an exempt field effective March 2013.
5. The August 2018, gas proration schedule for the Goodson-McLarty (Rodessa) Field indicates the gas field has two operators: Flint Pipeline Company and Valence, with each operator having one well in the field.
6. Cumulative production in the Goodson-McLarty (Rodessa) Field is 1,560 billion cubic feet ("BCF") of gas; and 7 thousand barrels of oil ("MBO"). Currently production is from 900 to 1,100 MCF per month.
7. Valence is seeking the following changes to the Goodson-McLarty (Rodessa) Field.
 - Adopt a correlative interval described as, "The entire correlative interval is from the top to the base of the Rodessa formation identified from 9,482 to 9,900 feet as shown on the induction resistivity log from Baker Hughes dated March 23, 2010, for the Berkshire Operating, LLC - Bain No. 1 Well (API 42-423-32271), located 1650 FEL and 1450 FSL, Section 48, Don Thomas Quevedo Survey, A-18, Smith County, Texas. The entire correlative interval as described in the Bain No. 1 Well is a single reservoir for proration purposes and is designated as the Goodson-McLarty (Rodessa) Field (Field 35832500), Smith County, Texas."
 - Amend the subject field as follows:
 - Amend the lease line or subdivision line spacing from 467 feet to 330 feet;
 - Amend the well density from 1,200 feet to 600 feet;
 - Amend the proration unit plats as optional with the filing of a Form P-16 instead of the Form P-15; and

- Clarify the following:
 - The proration and drilling unit size is 40 acres;
 - The tolerance acreage size is 20 acres;
 - The gas allowable is based on 100% deliverability.
- 8. The adoption of a correlative interval for the Goodson-McLarty (Rodessa) Field will be protective of correlative rights and the spacing amendment for the subject field will allow for additional development which will increase recovery and prevent waste.
- 9. At the hearing, Valence agreed on the record that this Final Order is final and effective when the Master Order relating to the Final Order is signed. The Examiners recommend granting the application as outlined in the proposed Final Order.

CONCLUSIONS OF LAW

1. Resolution of the subject applications 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 § 1.42.
3. The requested amendment to the Field Rules will prevent waste.
4. Pursuant to § 2001.144 (a)(4)(A) of the Texas Government Code and the agreement of the applicant, these Final Orders are final and effective when a Master Order relating to the Final Orders are presented at Commission conference and signed by the Commissioners.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend amending field rules for the Goodson-McLarty (Rodessa) Field (No.35832500), Smith County, Texas.

Respectfully submitted,



Robert Musick
Technical Hearings Examiner



Lynn Latombe
Administrative Law Judge