



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0287998

THE APPLICATION OF XTO ENERGY INC. TO AMEND FIELD RULES FOR THE NEW HOPE (SMACKOVER) FIELD, FRANKLIN COUNTY, TEXAS

OIL AND GAS DOCKET NO. 06-0287999

THE APPLICATION OF XTO ENERGY INC. TO AMEND FIELD RULES FOR THE NEW HOPE (TRAVIS PEAK) FIELD, FRANKLIN COUNTY, TEXAS

OIL AND GAS DOCKET NO. 06-0288003

THE APPLICATION OF XTO ENERGY INC. TO AMEND FIELD RULES FOR THE NEW HOPE (COTTON VALLEY) FIELD, FRANKLIN COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Terry Johnson – Hearings Examiner

HEARING DATE: April 21, 2014

APPEARANCES: **REPRESENTING:**

APPLICANT:

Andy Trevino, P.E.

XTO Energy Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of XTO Energy, Inc., (XTO) to amend field rules for the three New Hope Fields in Franklin County, Texas. XTO requests that the field rules be amended to provide an exception to Statewide Rule 28 requiring semi-annual G-10 well tests for all wells in the field. Instead, XTO proposes that G-10 tests be performed annually for the

following three fields:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
New Hope (Smackover) Field	65157 800
New Hope (Travis Peak) Field	65157 850
New Hope (Cotton Valley) Field	65157 250

XTO also requests that a correlative interval be established for the New Hope (Smackover) Field. The application was not protested, and the examiners recommend that the field rules be amended as requested by XTO.

DISCUSSION OF EVIDENCE

XTO requests that the gas wells in the three subject fields be allowed to forego semi-annual G-10 testing in favor of annual testing. The three fields are currently not prorated, and gas wells in the fields are allowed to produce at absolute open flow. XTO is the only operator of oil and gas wells in the three subject fields. The April 2014, proration schedule carries 21 gas wells in the New Hope (Smackover) Field, five gas and two oil wells in the New Hope (Travis Peak) Field, and four gas and one oil well in the New Hope (Cotton Valley) Field. The Smackover Field was discovered in 1953; the Travis Peak and Cotton Valley fields were discovered in 1997. The Smackover is the deepest and primary productive zone in the area.

Testing the wells causes significant costs to be incurred, including loss of production and direct expenses for the testing itself. Many of the wells in these fields are commingled downhole and on the surface, and testing individual zones requires mechanical isolation of the zones. XTO believes that semi-annual G-10 well tests are unnecessary and provide no meaningful data when the allocation formula is suspended. Annual G-10 well tests will give operators more flexibility for testing non-continuous flow and low volume wells. However, operators will still have the option to run additional G-10 well tests if they feel the tests are justified. XTO stated that the savings will be reflected in lower economic limits for the wells and increased ultimate recovery.

In March, 2001, the Commission granted by Final Order in Oil and Gas Docket No. 06-0226994 the application of Texaco E&P, Inc., to exempt wells from G-10 test requirements in the New Hope (Smackover) Field. However, limitations of the Commission's mainframe system do not allow such an exemption to continue beyond 99 months (8 years, 3 months). The proposed field rule amendment will require annual testing.

Also, XTO requests that a correlative interval be established for the New Hope (Smackover) Field. XTO requests that the correlative interval be the measured depth (MD)

interval from 11,685 feet to 12,525 feet as shown on the log of the New Hope Deep Unit Well No. 7-6D (API No. 42-159-30542).

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The April 2014, proration schedule carries 21 gas wells in the New Hope (Smackover) Field, five gas and two oil wells in the New Hope (Travis Peak) Field, and four gas and one oil well in the New Hope (Cotton Valley) Field.
3. XTO is the only operator of oil and gas wells in the three subject fields.
4. The three fields are currently not prorated, and gas wells in the fields are allowed to produce at absolute open flow.
5. Statewide Rule 28 requires that G-10 well tests be conducted on a semi-annual basis.
6. Semi-annual G-10 well tests are unnecessary and provide no meaningful data when the allocation formula is suspended.
7. Annual G-10 well tests will give operators more flexibility for testing non-continuous flow and low volume wells.
8. The New Hope (Smackover) Field is productive in the correlative interval from 11,685 feet to 12,525 feet as shown on the log of the New Hope Deep Unit Well No. 7-6D (API No. 42-159-30542).

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the amended field rules incorporating an exception to Statewide Rule 28 requiring semi-annual G-10 well tests will not cause waste or harm correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve the amended field rules requiring annual G-10 well tests for all wells in the subject three fields, as requested by XTO Energy, Inc.


Paul Dubois
Technical Examiner

Respectfully submitted,


Terry Johnson
Hearings Examiner