



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7B-0294041

THE APPLICATION OF DALLAS PRODUCTION INC. TO SUSPEND THE ALLOCATION FORMULA IN THE J.V.T. (CONGL. 4250) FIELD, PALO PINTO COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Terry Johnson – Legal Examiner

HEARING DATE: December 15, 2014
RECORD CLOSED: December 16, 2014
SUBMISSION DATE: December 17, 2014
CONFERENCE DATE: January 27, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Don Rhodes

Dallas Production Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Dallas Production, Inc. ("Dallas") seeks to suspend the allocation formula for the J.V.T. (Congl. 4250) Field (the "Field"), pursuant to Statewide Rule 31(j) [16 Tex. Admin. Code §3.31]. Notice of the subject application was provided to all operators in the subject field, and the application is unopposed. The examiners recommend that the subject application be granted, as proposed by Dallas.

DISCUSSION OF THE EVIDENCE

Titled "Suspension of Allocation Formula", Statewide Rule 31(j)(1) provides as follows:

The commission or a commission designee may administratively suspend the allocation formula for a particular gas field if: (A) each operator from that field has a market, for 100% deliverability, as determined by the

deliverability tests on file with the commission, for its respective wells;
and (B) all operators in the field consent to suspension of the formula.

The immediate case centers on the Field's existing allocation formula, and whether or not there is a 100% market demand for all natural gas produced from the Field. If so, the result would entail suspending the Field's allocation formula, and classifying the Field as Absolute Open Flow ("AOF") which effectively allows each well completed in the Field to sell as much as it is capable of producing.

The Field was discovered in March 1974, and is designated as a non-associated gas field. In other words, only gas wells exist in the field. The field rules provide for 467'-1,200' minimum well spacing, 160-acre proration units, 4,500' maximum diagonal, and allocation based on 100% deliverability.

Statewide Rule 31(j)(2) states:

Suspension of the allocation formula may be initiated by the commission or a commission designee, or by one of the operators in the field...The allocation formula may be administratively suspended if the applicant provides the commission with a declaration, subject to the false filing penalties provided for in the Nat. Res. Code §91.143, from all operators in the field stating that they have a market for 100% of the deliverability of their wells...

Dallas requests that the allocation formula for the Field be suspended. The Field is currently composed of 10 operators with gas wells on schedule (*i.e.*, listed on the November 2014 Gas Proration Schedule).

Dallas submitted Commission Forms AOF-1 and AOF-2 (Field Application for AOF Status and Individual Application for AOF Status, respectively) to the Oil and Gas Division on August 24, 2014 and November 4, 2014, for the subject application. Also, Dallas received a Form AOF-2 in support of the immediate case from six of the ten existing operators in the Field¹. As a result of not receiving a Form AOF-2 from all operators in the Field, Dallas requested a hearing on the captioned docket on August 15, 2014. Dallas' representative testified that all active operators in the Field were noticed of the subject application, and were included on the respective Service List for the Notice of Hearing dated November 19, 2014.

In support of its position, Dallas submitted a copy of the Commission's November 2014 "A-Sheet", or Monthly Reservoir Market Demand Report. Dallas' representative testified that the A-Sheet is a matrix of seven components used to calculate the total reservoir market demand of natural gas for a given gas field in a given month. The calculation looks back to the prior third month's production ("Value A"), and compares Value A with four other adjusted values to forecast the target month's "total reservoir market demand". Dallas's representative highlighted that the November 2014 A-Sheet indicates that production from the Field has been at 100%

¹ See Dallas Exh. No. 4.

market demand since at least September 2014 because the total reservoir capacity equals the total reservoir market demand². Accordingly, the Field's allocation formula should be suspended, and all production set at 100% AOF.

The Examiners find that suspension of the allocation formula will balance the field's production status to zero, and provide for a 100% capacity allowable³.

FINDINGS OF FACT

1. Dallas Production, Inc. ("Dallas") seeks to suspend the allocation formula for the J.V.T. (Congl. 4250) Field (the "Field"), pursuant to Statewide Rule 31(j) [16 Tex. Admin. Code §3.31] ("the subject application").
2. All active operators in the Field were provided notice of the subject application.
3. The current special field rules that govern the Field provide:
 - a. 467' minimum property, lease, or subdivision line spacing, and 1,200' minimum between well spacing;
 - b. 160-acre proration units with a maximum diagonal of 4,500;
 - c. Allocation based on 100% deliverability.
4. Dallas requests that the allocation formula be suspended in the Field because there is a 100% market demand for all production from the Field.
5. The subject field was discovered in March 1974, and is designated as a non-associated gas field
6. The November 2014 Gas Proration Schedule lists ten operators in the Field.
7. The November 2014 Monthly Reservoir Market Demand Report indicates that all natural gas production from the Field is at one-hundred percent (100%) market demand.
8. Suspension of the Field's allocation formula is appropriate.

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. Legally sufficient notice has been provided to all affected persons.

² See Dallas Exh. No. 2.

³ See Statewide Rule 31(j)(5).

3. Suspension of the allocation formula for the J.V.T. (Congl. 4250) Field, as proposed by Dallas Production, Inc., will prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the allocation formula for the J.V.T. (Congl. 4250) Field be suspended, as proposed by Dallas Production, Inc.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Terry Johnson
Legal Examiner