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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 05-0297501

THE APPLICATION OF XTO ENERGY, INC. FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE OPELIKA (COTTON VALLEY) FIELD, HENDERSON COUNTY, TEXAS

OIL AND GAS DOCKET NO. 05-0297502

THE APPLICATION OF XTO ENERGY, INC. FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE OPELIKA, (TRAVIS PEAK) FIELD, HENDERSON COUNTY, TEXAS

OIL AND GAS DOCKET NO. 05-0297503

THE APPLICATION XTO ENERGY, INC. FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE OPELIKA, (RODESSA) FIELD, HENDERSON COUNTY, TEXAS

OIL AND GAS DOCKET NO. 05-0297504

THE APPLICATION XTO ENERGY, INC. FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE OPELIKA, (PETTIT) FIELD, HENDERSON COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. – Technical Examiner
John dodson – Legal Examiner

HEARING DATE: September 28, 2015
RECORD CLOSED: September 28, 2015
CONFERENCE DATE: November 03, 2015

APPEARANCES:	REPRESENTING:
APPLICANT:	
Andres Trevino	XTO Energy, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Opelika (Cotton Valley), Opelika (Travis Peak), the Opelika (Rodessa) and the Opelika (Pettit) Fields (The Fields) are all classified as non-associated fields. In other words, the subject fields contain only gas wells. The Field's allocation formula was suspended (*i.e.*, Absolute Open Flow, or AOF status) by the Commission in 1995. XTO Energy, Inc. (XTO) seeks exceptions to 16 Tex. Admin. Code §3.28(b) ("Statewide Rule 28(b)"), which requires semi-annual G-10 deliverability tests for all gas wells in a non-associated gas field after the respective gas well's initial G-10 deliverability test has been performed.

Specifically, XTO requests that all wells that produce more than 100 MCFPD in the The Fields require annual G-10 testing and the filing of Form G-10. Wells that produce less than 100 MCFPD are exempt from all Statewide Rule 28 G-10 testing requirements.

The subject application is unprotested. XTO was the sole party at the hearing, where evidence was presented through direct testimony of its expert witness, along with written exhibits, were entered into the record. After full consideration of the record evidence, the Examiners recommend that the relief sought by XTO in the instant case be granted.

DISCUSSION OF THE EVIDENCE

Mr. Andres Trevino, a consulting engineer, testified on behalf of XTO as an expert in petroleum engineering.

Titled "Potential and Deliverability of Gas Wells To Be Ascertained and Reported," Statewide Rule 28 ("SWR 28") generally states that certain information must be submitted to determine the absolute daily open flow potential (*i.e.*, deliverability) of each producing gas well (associated and nonassociated) after initial completion. After the well's initial deliverability test has been conducted, the well is required to follow a particular G-10 testing schedule. However, certain exceptions are available. For instance, SWR 28(c) states:

> Unless applicable special field rules provide otherwise or the director of the oil and gas division or the director's delegate authorizes an alternate proceudure due to a well's producing charachteristics, deliverability shall be performed as follows.

[...]

> Exceptions and extensions to the timing requirements for deliverability tests and shut-in wellhead pressure tests may be granted by the Commission for *good cause* (emphasis added).

In general, an allocation formula is designed to prevent waste and protect correlative rights by fairly distributing the available market for production from the reservoir.[1] The subject fields are classified as non-associated, and each field's allocation formula is suspended. Thus, rendering the subject fields as AOF status. In other words, the Commission has determined at a prior date that there is a 100% market demand for all gas produced from the subject fields; therefore, all gas wells in each field have been authorized to produce as much hydrocarbon gas as each well is capable of delivering to market.

XTO submitted an excerpt of the Commission's publication titled, "Permitting & Production Services Filing Procedures Manual" (the "Manual"). Mr. Trevino testified that the Manual provides guidance on how the Commission determines a gas well's capability (*i.e.*, deliverability), which is done by taking the less of either the well's most recent G-10 deliverability test or its highest production within the last 3 month period. Mr. Trevino testified that when a Commission-designated field is classified as AOF status the G-10 deliverability test is unnecessary because each gas well is essentially producing its deliverability each month. In other words, if a field is designated as AOF status then the G-10 deliverability test is not needed because it is assumed that each gas well is producing its full capacity of gas each month (*i.e.* its deliverability).

In the immediate cases, the Opelika Fields are considered to be in "terminal decline' and have had decling production since the 1960's. XTO is concerned that shutting in the wells in these fields for semi-annual testing will kill the wells and it will be uneconomical to recover production from these wells.

XTO request that all wells that produce more than 100 MCFPD in The Fields require annual G-10 testing and the filing of Form G-10. Wells that produce less than 100 MCFPD are exempt from all Statewide Rule 28 G-10 testing requirements.

XTO submitted copies of prior Commission Final Orders involving the subject fields where exception to the semi-annual requirement has been granted. [2] In Oil and Gas Final Order 06-0281776, each well in the subject fields was granted authority to perform G-10 deliverability tests annually, so long as the respective field is classified as AOF status. In the instant cases, XTO believes it has shown good cause to grant its requested relief.

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[1] Commission's *Discussions of Law, Practice, and Procedure., Part I, Subsection F.*

[2] Oil & Gas Final Order 06-0281776.

FINDINGS OF FACT

1. XTO Energy, Inc. seeks exception for the Opelika (Cotton Valley), Opelika (Travis Peak), the Opelika (Rodessa) and the Opelika (Pettit) Fields pursuant to Statewide Rule 28(b) [16 Tex. Admin. Code §3.28(b)].

2. All operators in the subject fields were provided notice of the subject applications.

3. XTO requests the cancellation of the G-10 deliverability testing requirement for all gas wells producing less than 100 MCF/D) and annual G-10 testing and reporting for all wells producing more than 100 MCF/D but less than 250MCF/D and the filing of Form G-10 once per year.

4. The subject fields are currently classified as Absolute Open Flow status.

5. Requiring semi-annual G-10 deliverability tests is not necessary while the subject fields' are in AOF.

6. All wells in the subject fields were granted exception to Statewide Rule 28(b) to perform G-10 deliverability tests and the filing of Form G-10 once per year as opposed to semi-annually.

7. XTO has shown good cause for its requested exceptions to Statewide Rule 28(b).

8. Approval of the application is reasonable and appropriate, pursuant to Statewide Rule 28(b).

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.

3. Exception for the Opelika (Cotton Valley), Opelika (Travis Peak), the Opelika (Rodessa) and the Opelika (Pettit) Fields, pursuant to Statewide Rule 28(b) [16 Tex. Admin. Code §3.28(b)] will prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend all wells that produce more than 100 MCFPD in the Tri-Cities (Cotton Valley) Field require annual G-10 testing and the filing of Form G-10 once per year. For wells that produce less than 100 MCFPD are exempt from all Statewide Rule 28 G-10 testing requirements

Respectfully submitted,

Richard Eyster, P.G.
Technical Examiner

John Dodson
Legal Examiner