



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0298845

THE APPLICATION OF QEP ENERGY COMPANY FOR BLANKET EXCEPTION TO 16 TEX. ADMIN. CODE §3.10 TO PERMIT DOWNHOLE COMMINGLING OF PRODUCTION IN VARIOUS FIELDS, VARIOUS COUNTIES, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: January 6, 2016
RECORD CLOSED: January 6, 2016
SUBMISSION DATE: February 1, 2016
CONFERENCE DATE: February 23, 2016

APPEARANCES:

REPRESENTING:

APPLICANT:

Rick Johnston

QEP Energy Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to 16 Tex. Admin. Code §3.10, QEP Energy Company ("QEP") seeks exception to downhole commingle the Breedlove (Strawn), Lowe (Atoka), Lowe (Miss), Spraberry (Trend Area), and Spraberry (Trend Area) Exc. 40 Fields in Crane, Andrews, Borden, Crockett, Dawson, Ector, Gaines, Glasscock, Howard, Irion, Martin, Midland, Pecos, Reagan, Runnels, Schleicher, Upton, Sterling, Stonewall, Terrell and Terry Counties ("Subject Fields") (collectively "Subject Application").

The application is unopposed. The Administrative Law Judge and Examiner ("Examiners") recommend that it be granted.

DISCUSSION OF THE EVIDENCE

Applicable Rule

16 Tex. Admin. Code §3.10, in part, states:

- (a) General prohibition. Oil or gas shall not be produced from different strata through the same string of tubulars except as provided in this section...
- (b) Exception. After notice and an opportunity for a hearing, the commission or its delegate may grant an exception to subsection (a) of this section to permit production from a well or wells commingling oil or gas or oil and gas from different strata, if commingled production will prevent waste or promote conservation or promote correlative rights.

Rick Johnston, a consulting engineer, testified on behalf of QEP. Mr. Johnston is also registered as a Professional Engineer with the Texas Board of Professional Engineers.

Notice of the Subject Application was mailed to all operators of record in the Subject Fields on November 18, 2015.

Application Background

On January 24, 2012, the Commission granted Final Order 7C-0272342, which approved downhole commingling of the Spraberry (Trend Area) Field with numerous other fields in Andrews, Glasscock, Howard, Martin and Midland Counties.¹ In part, that Final Order provided for blanket downhole commingling between the Spraberry (Trend Area), Breedlove (Strawn), and Lowe (Atoka) Fields in those counties.

On April 10, 2012, the Commission granted Final Order 7C-0274132, which approved downhole commingling of the Spraberry (Trend Area) Field with numerous other fields in numerous counties within Oil and Gas District Nos. 7C, 08, 8A.² In part, that Final Order provided for blanket downhole commingling between the Spraberry (Trend Area), Breedlove (Strawn), and Lowe (Atoka) Fields in those Oil & Gas Districts.

QEP submitted a copy of an early, if not the first, administrative exception granted to downhole commingle the Spraberry (Trend Area), Breedlove (Strawn), and Lowe (Atoka) Fields.³ A similar exhibit was also presented for the those fields, but also included the Lowe (Miss.) Field.⁴ The purpose of those exhibits was to show that downhole commingling of the Subject Fields has occurred circa 2011 and 2012, respectively.

On April 18, 2011, the Commission granted Final Order 08-0268741, which approved downhole commingling of the Subject Fields, except for the Breedlove (Strawn) Field, beneath numerous Mabee Leases in Ector County. Furthermore, that Final Order provides for downhole

¹ QEP Exh. No. 3.

² QEP Exh. No. 4.

³ QEP Exh. No. 5.

⁴ QEP Exh. No. 6.

commingling for any unnamed field found in the correlative interval from 6,935 feet to 12,207 feet as shown on the log for the Mabee 140 B Lease, Well No. 4803 (API No. 42-003-41639).⁵ Mr. Johnston stated that order incorrectly lists Ector County, and that the true counties for those Mabee Leases is Andrews and Martin Counties, Texas. He testified that the purpose of that exhibit was to show that downhole commingling of those Subject Fields, as well as that correlative interval, has been effective since 2011, and that the area it seeks in the Subject Application is nearby those Mabee Leases.⁶

QEP submitted a copy of the well log for the Mabee 140 B Lease, Well No. 4803, which depicts the sequence stratigraphy from the Clearfork Formation to the Devonian Formation.⁷ Mr. Johnston testified that the Subject Application is made for reservoirs that occur from the Clearfork Formation through the Mississippian Lime Formation, which immediately overlies the Devonian Formation.

QEP submitted a table of leases and wells that have been granted an exception to downhole commingle a combination of the Subject Fields.⁸ That table consists of 142 wells. Mr. Johnston pointed out that three wells listed in that table have granted authority to downhole commingle the entire set of Subject Fields (table nos. 16, 103, and 104).

Based on QEP's supporting evidence, Mr. Johnston testified that its requested relief will prevent waste because it will increase the ultimate recovery from the Subject Fields by reducing the economic limit for each field.

FINDINGS OF FACT

1. QEP Energy Company ("QEP") seeks exception to downhole commingle the Breedlove (Strawn), Lowe (Atoka), Lowe (Miss), Spraberry (Trend Area), and Spraberry (Trend Area) Exc. 40 Fields in Crane, Andrews, Borden, Crockett, Dawson, Ector, Gaines, Glasscock, Howard, Irion, Martin, Midland, Pecos, Reagan, Runnels, Schleicher, Upton, Sterling, Stonewall, Terrell and Terry Counties ("Subject Fields") (collectively "Subject Application").
2. Notice of the Subject Application was made on November 18, 2015.
3. QEP was the only party that attended the January 6, 2016, hearing held for the Subject Application.
4. Numerous wells completed in the Subject Fields have been granted authority to downhole commingle production from the Subject Fields prior to the January 6, 2016 hearing held for the Subject Application.
5. Allowing for downhole commingling of production from the Subject Fields will increase their ultimate recovery by reducing the economic limit for each field, independently.

⁵ QEP Exh. No. 7.

⁶ Testimony at 7:35 of audio recording.

⁷ QEP Exh. No. 9.

⁸ QEP Exh. No. 10.

6. Approval of the Subject Application is reasonable and will prevent waste.

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. The requested relief sought QEP Energy Company to downhole commingle production from the Subject Fields satisfies the requirements of Title 16 TAC §3.10.

EXAMINERS' RECOMMENDATION

The Examiners recommend that the Commission grant a blanket exception to Statewide Rule 10 to provide for downhole commingling of the Subject Fields.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Ryan Lammert
Administrative Law Judge