

1           The Railroad Commission of Texas (Commission) adopts amendments to §3.28, relating to  
2 Potential and Deliverability of Gas Wells to be Ascertained and Reported, with one change from the  
3 proposed text as published in the September 9, 2016 issue of the *Texas Register* (41 TexReg 6907). The  
4 amendments adjust the methodology regarding deliverability testing requirements for gas wells to  
5 minimize the frequency of such tests, thereby reducing the administrative burden for operators of those  
6 wells and associated costs to industry. The Commission adopts the amendments with an effective date of  
7 January 1, 2017.

8           The Commission received eight comments, including four from associations, three from  
9 companies, and one from an individual. Four associations (Texas Oil and Gas Association, Permian Basin  
10 Petroleum Association, Texas Alliance of Energy Producers, and Texas Independent Producers and  
11 Royalty Owners Association) and two companies (Apache Corporation and Sheridan Production  
12 Company) commented in general support of the amendments to §3.28. The remaining comments did not  
13 express support or opposition but suggested changes. The Commission appreciates all of the comments.

14           Lewis Energy Group (Lewis Energy) suggested the Commission make two clarifications in  
15 §3.28(b). First, Lewis Energy suggested the Commission clarify that the schedule in §3.28(b)(1) only  
16 applies if an operator elects to perform a subsequent deliverability test. The Commission does not agree this  
17 clarification is needed and declines to make the suggested change. Second, Lewis Energy suggested  
18 clarifying changes to §3.28(b)(2). In response, the Commission adopts a change to clarify that  
19 notwithstanding any of the provisions in §3.28, operators of wells authorized to surface commingle  
20 production pursuant to §§3.26 and 3.27 will be required to conduct and report deliverability tests at the  
21 same frequency at which those tests are currently required by those rules or by the order authorizing the  
22 commingling.

23           Lewis Energy and an individual suggested additional changes to language that was not included in  
24 the rule proposal. The Commission declines to address these changes as they are outside the scope of the

1 rulemaking.

2           The amendments modify the requirements for conducting deliverability tests on gas wells and  
3 filing the test results with the Commission. Results of such tests are typically required to be filed  
4 semi-annually on Form G-10, Gas Well Status Report. The Commission adopts new subsection (d) to  
5 specify that an operator may elect not to perform or file a deliverability test for a well after the initial  
6 deliverability test has been filed, except in certain circumstances identified in new subsection (e). If the  
7 operator elects not to perform such a test, then the Commission will use the lessor of the previous  
8 deliverability test results or the maximum daily production from the previous 12 months to determine the  
9 deliverability of record, which is used in calculating well allowables in subsequent months.

10           Notwithstanding subsection (d), new subsection (e) requires that an operator conduct a  
11 deliverability test in the following situations: at initial completion of the well; at recompletion of the well  
12 into a different field; at reclassification of an oil well to a gas well; when an inactive well is returned to  
13 production; when the well is completed in a regulatory field where the allocation formula is based in whole  
14 or in part on the downhole pressure of the well; when necessary to reinstate an allowable; or when required  
15 by Commission order, special field rule, or other Commission rule.

16           The overall effect of the adopted amendments will be to require deliverability testing in specific  
17 instances, rather than as a general requirement. Based on the amendments, the Commission anticipates  
18 receiving approximately 70% fewer Form G-10 filings.

19           Further, the Commission amends subsections (a) and (b) to modify the time frame in which tests  
20 shall be run to conform to the 90-day completion report deadline in §3.16 of this title (relating to Log and  
21 Completion or Plugging Report).

22           The Commission also adopts other non-substantive clarifications and updates.

23           The Commission adopts the amendments under Texas Natural Resources Code §§81.051 and  
24 81.052, which provide the Commission with jurisdiction over all persons owning or engaged in drilling or

1 operating oil or gas wells in Texas and the authority to adopt all necessary rules for governing and  
2 regulating persons and their operations under Commission jurisdiction; Texas Natural Resources Code  
3 §§85.042, 85.202, 86.041 and 86.042, which require the Commission to adopt rules to control waste of oil  
4 and gas; and Texas Natural Resources Code §85.053, which authorizes the Commission to adopt rules  
5 relating to the allocation of production allowables.

6 Texas Natural Resources Code, §§81.051, 81.052, 85.042, 85.053, 85.202, 86.041, and 86.042 are  
7 affected by the adopted amendments.

8 Statutory authority: Texas Natural Resources Code §§81.051, 81.052, 85.042, 85.053, 85.202,  
9 86.041, and 86.042.

10 Cross-reference to statute: Texas Natural Resources Code, Chapters 81, 85, and 86.

11  
12 *[NOTE: RULE LANGUAGE BEING ADOPTED THAT DIFFERS FROM THE PROPOSAL IS*  
13 *INDICATED IN **BOLD**]*

14  
15 §3.28. Potential and Deliverability of Gas Wells to be ~~[To Be]~~ Ascertained and Reported

16 (a) The information necessary to determine the absolute daily open flow potential of each  
17 producing associated or nonassociated gas well shall be ascertained, and a report shall be filed as required  
18 with ~~[on]~~ the ~~[appropriate]~~ Commission ~~[form in the appropriate Commission office]~~ within 90 ~~[30]~~ days of  
19 completion of the well. The test shall be performed in accordance with the Commission's ~~[commission's]~~  
20 publication, Back Pressure Test for Natural Gas Wells, State of Texas, or other test procedure approved in  
21 advance by the Commission and shall be reported on the Commission's prescribed form. An operator ~~[,at~~  
22 ~~his option,]~~ may determine absolute open flow potential from a stabilized one-point test. For a one-point  
23 test, the well shall be flowed on a single choke setting until a stabilized flow is achieved, but not less than 72  
24 hours. The shut-in and flowing bottom hole pressures shall be calculated in the manner prescribed for a

1 four-point test. The Commission may authorize a one-point test of shorter duration for a well which is not  
2 connected to a sales line, but a test which is in compliance with this section must be conducted and reported  
3 after the well is connected before an allowable will be assigned to the well. Back-dating of allowables will  
4 be performed in accordance with §3.31 of this title (relating to Gas Reservoirs and Gas Well Allowable).

5 (b) After conducting the test required by subsection (a) of this section each operator of a gas well  
6 shall conduct an initial deliverability test and report the test results on the Commission's prescribed form not  
7 later than 90 ~~ten~~ days after completion of the well ~~[the start of production for one or more legal purposes~~  
8 ~~and shall report such initial deliverability test on the prescribed form]~~. If a 72-hour one-point back pressure  
9 test on a well connected to a sales line was conducted as provided in subsection (a) of this section, the same  
10 test may be used to determine initial deliverability, provided the test was conducted in accordance with  
11 subsection (c) of this section.

12 (1) After the initial deliverability test has been conducted, the following schedule for well  
13 testing applies: [-]

14 (A) Nonassociated gas wells shall be tested semiannually.

15 (B) Associated ~~[49(b)]~~ gas wells described in §3.49(b) of this title (relating to  
16 Gas-Oil Ratio) shall be tested annually.

17 (C) Wells with current reported deliverability of 100 Mcf a day or less are not  
18 required to test as long as deliverability and production remain at or below 100 Mcf a day but are required to  
19 file Form G-10 according to the instructions on the form.

20 (D) Wells with a deliverability greater than 100 Mcf a day and less than or equal to  
21 250 Mcf a day in fields without special field rules are not required to be tested as long as deliverability and  
22 production remain equal to or less than 250 Mcf a day. ~~[Wells operating under special field rules which~~  
23 ~~conflict with this subsection shall test in accordance with the special field rules.]~~

24 (2) Notwithstanding any of the provisions in this section ~~[the above provisions]~~ on

1 frequency of testing, gas wells commingling liquid hydrocarbons before metering must comply with the  
2 testing provisions applicable to such wells.

3 (3) All deliverability tests shall be conducted in accordance with subsection (c) of this  
4 section and the instructions printed on the Form G-10. The results of each test shall be attested to by the  
5 operator or its [his] appointed agent. The first purchaser or its representative upon request to the operator  
6 shall have the right to witness such tests. Gas meter charts, printouts, or other documents showing the actual  
7 measurement of the gas produced or other data required to be recorded during any deliverability test  
8 conducted under this subsection shall be preserved as required by §3.1 of this title (relating to Organization  
9 Report; Retention of Records; Notice Requirements) [~~Statewide Rule 1~~].

10 (4) In the event that the first purchaser and the operator cannot agree upon the validity of  
11 the test results, then either party may request a retest of the well. The first purchaser upon request to the  
12 operator shall have the right to witness the retest. If either party requests a representative from the  
13 Commission to witness a retest of the well, the results of a Commission-witnessed test shall be conclusive  
14 for the purposes of this section until the next regularly scheduled test of the well. In the event a retest is  
15 witnessed by the Commission, the retest shall be signed by the representative of the Commission.

16 (5) In the event that downhole remedial work or other substantial production enhancement  
17 work is performed, or if a pumping unit, compressor, or other equipment is installed to increase  
18 deliverability of a well subject to the Commission-witnessed testing procedure described in this subsection,  
19 a new test may be requested and shall be performed according to the procedure outlined in this subsection.

20 (c) Unless applicable special field rules provide otherwise or the director of the oil and gas division  
21 or the director's delegate authorizes an alternate procedure due to a well's producing characteristics,  
22 deliverability tests shall be performed as follows. Deliverability tests shall be scheduled by the producer  
23 within the testing period designated by the [Railroad] Commission, and only the recorded data specified by  
24 the Form G-10 is required to be reported. All deliverability tests shall be performed by producing the

1 subject well at stabilized rates for a minimum time period of 72 hours. A deliverability test shall be  
2 conducted under normal and usual operating conditions using the normal and usual operating equipment in  
3 place on the well being tested, and the well shall be produced against the normal and usual line pressure  
4 prevailing in the line into which the well produces. The average daily producing rate for each 24-hour  
5 period, the wellhead pressure before the commencement of the 72-hour test, and the flowing wellhead  
6 pressure at the beginning of each 24-hour period shall be recorded. In addition, a 24-hour shut-in wellhead  
7 pressure shall be determined either within the six-month period prior to the commencement of the 72-hour  
8 deliverability test or immediately after the completion of the deliverability test. The shut-in wellhead  
9 pressure that was determined and the date on which the 24-hour test was commenced shall be recorded on  
10 Form G-10. Exceptions and extensions to the timing requirements for deliverability tests and shut-in  
11 wellhead pressure tests may be granted by the Commission for good cause. The flow rate during each day of  
12 the first 48 hours of the test must be as close as possible to the flow rate during the final 24 hours of the test,  
13 but must equal at least 75% of such flow rate. The deliverability of the well during the last 24 hours of the  
14 flow test shall be used for allowable and allocation purposes. If pipeline conditions exist such that a  
15 producer believes a representative deliverability test cannot be performed, the producer with pipeline  
16 notification may request in writing that the Commission [~~commission~~] use either of the following as the  
17 deliverability of record [~~a representative deliverability~~]:

- 18 (1) the deliverability test performed during the previous testing period; or  
19 (2) the maximum daily production from any of the 12 months prior to the due date of the  
20 test as determined by dividing the highest monthly production by the number of days in that month.

21 (d) After the initial deliverability test, an operator may elect not to perform and/or file a subsequent  
22 deliverability test for a well. In those cases, the Commission shall use the lesser of the following as the  
23 deliverability of record for the purpose of this section:

- 24 \_\_\_\_\_ (1) the results of the most recent deliverability test on file with the Commission; or

1                 (2) the maximum daily production from any of the 12 months prior to the due date of the  
2 test as determined by dividing the highest monthly production by the number of days in that month.

3           (e) Notwithstanding subsection (d) of this section, a deliverability test must be performed on a well  
4 in accordance with this section:

5                 (1) at initial completion of the well;

6                 (2) at recompletion of the well into a different regulatory field;

7                 (3) at reclassification of the well from oil to gas;

8                 (4) when the well is an inactive well as defined in §3.15 of this title (relating to Surface  
9 Equipment Removal Requirements and Inactive Wells) and the operator resumes production from the well;

10                (5) when the well is completed in a regulatory field where the allocation formula is based in  
11 whole or in part on the downhole pressure of the well, and that allocation formula is not suspended;

12                (6) when necessary to reinstate an allowable; or

13                (7) when required by Commission order, special field rule, or other Commission rule.

14          ~~(f) [(d)]~~ If the deliverability of a well changes after a test is reported to the Commission, the  
15 deliverability of record for a well will be decreased upon receipt of a written request from the operator to  
16 reduce the deliverability of record to a specified amount. If the deliverability of a well increases, a retest  
17 must be conducted in the manner specified in this section and must be reported on Form G-10 before the  
18 deliverability of record will be increased.

19          ~~(g) [(e)]~~ First purchasers with packages of gas dedicated entirely to a downstream purchaser shall  
20 coordinate testing with and provide test results to that downstream purchaser if requested by the  
21 downstream purchaser. In these cases, the downstream purchaser upon request to the operator shall have the  
22 right to witness all deliverability tests and retests.

23

24

1           (h) [(f)] Tests of wells connected to a pipeline shall be made in a manner that no gas is flared,  
2 vented, or otherwise wastefully used.

3           This agency hereby certifies that the rule as adopted has been reviewed by legal counsel and found  
4 to be a valid exercise of the agency's legal authority.

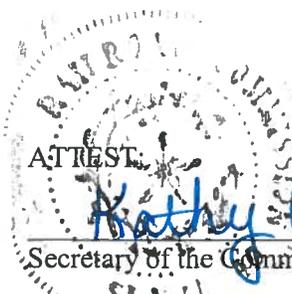
5           Issued in Austin, Texas, on November 15, 2016.

6           Filed with the Office of the Secretary of State on November 15, 2016.

  
\_\_\_\_\_  
David Porter, Chairman

  
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Christi Craddick, Commissioner

  
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Ryan Sitton, Commissioner

  
ATTEST:  
  
\_\_\_\_\_  
Secretary of the Commission

  
\_\_\_\_\_  
Haley Cochran  
Rules Attorney  
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Railroad Commission of Texas