

February 17, 2000

OIL AND GAS DOCKET NO. 02-0223864

**THE APPLICATION OF C & E OPERATING, INC., TO SUSPEND THE ALLOCATION
FORMULA FOR THE LAURA THOMSON (4850) FIELD, BEE COUNTY, TEXAS**

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: January 28, 2000

Hearing held: February 17, 2000

Appearances

Representing

C & E Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

C & E Operating is seeking to have the allocation formula for the Laura Thomson (4850) Field suspended. Forms AOF-2 were not received from every operator in the field, though the application is unprotested.

DISCUSSION OF THE EVIDENCE

The Laura Thomson (4850) Field was discovered in 1971 and has two operators. C & E operates four wells and Exxon Corp. operates one well. Exxon has not signed a Form AOF-2 that would indicate it has a market for 100% of the deliverability of the Laura T. Barrow No. 15.

The current deliverability of Exxon's well is 293 MMCF per day, based on a G-10 test performed on October 15, 1999. Monthly production, from June through November, 1999, was erratic, ranging from 151 to 3735 MCF. C & E testified that this erratic production of Exxon's well resulted from very low line pressure and occasionally the well must be soap-sticked to allow it to unload liquids. Exxon's well has an allowable limited by the provisions of Statewide Rule 31(k)(2), and this well can no longer accumulate underproduction.

The deliverabilities of two of C&E's wells are greater than those of Exxon's well as both of these wells has a deliverability of 720 MCF/D. One of C&E's wells, the Thomson-Barrow Corp. "C" Lease Well No. 1 has accumulated 42 MMCF of overproduction. The other three C&E wells have significant amounts of underproduction or have limited allowables preventing them from accumulating underproduction.

Genesis Crude Oil, L.P. is the gatherer for gas from Exxon's well, and the purchaser is Natural Gas Pipeline Co. of America. This purchaser also takes gas from 79 other fields, only eight of which are prorated. Twenty-two of these fields have had their existing allocation formulae suspended. Statewide Rule 34 requires that purchasers take ratably from each field. Natural Gas Pipeline Co. of America must take all gas the Exxon well can produce unless it restricts takes from the other fields on its system. The pipeline apparently has a market for all the gas that wells on its system can produce, including Exxon's well in this field.

C&E admits that it could prevent the accumulation of overage by its Thomson-Barrow Corp. "C" Lease Well No. 1 by other action such as filing a form GC-1 indicating changed capability of any of its wells. However, it believes that suspending the allocation formula, which is based on deliverability, will reduce complexity and paperwork for itself and for the Commission.

FINDINGS OF FACT

1. Notice of at least ten (10) days was given to all operators in the field and no one appeared at the hearing in protest.
2. C&E Operating has filed Forms AOF-1 and AOF-2 indicating that it has a market for 100% of the gas that can be produced from its four wells.
3. Exxon Corp. has not signed a Form AOF-2 which would indicate that it also has a market for all of the gas its only well in this field can produce.
4. Exxon's Laura T. Barrow Well No. 15 has a deliverability of 293 MCF/D and is a limited well under Statewide Rule 31(k)(2) that cannot accumulate underproduction.
5. The only one of C&E's wells without an allowable limited by past underproduction, has accumulated 42 MMCF of overproduction.
6. Exxon's well has had erratic production due to very low pressure in its gathering pipeline.
7. There is a market for 100% of the gas produced by Exxon's well.
 - a. The purchaser of gas from Exxon's well, the Natural Gas Pipeline Company of America, takes gas from 79 other fields, 22 of which have had their allocation formulae suspended.
 - b. There must be a market for all gas from these 22 fields or their allocation formulae would have been re-instated.
 - c. Natural Gas Pipeline is required by Statewide Rule 34 to take an equal percentage of gas from each well on its system and if it is taking all the gas the other wells on its system are capable of then it is required to be taking all the gas that the Exxon well can produce.
8. Suspending the allocation formula will reduce complexity in assigning allowables and resultant paperwork in this field required from the operators and the Commission.
9. This field is listed as a prorated field, and only one prorated well in the field is capable of producing its allowable.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the allocation formula in the Laura Thomson (4850) Field be suspended, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: March 10, 2000

Exhibits

1. Proration schedule for Laura Thomson (4850) Field
2. Form AOF-1 for Laura Thomson (4850) Field
3. Form AOF-2 for Laura Thomson (4850) Field
4. Gas ledger for Laura Thomson (4850) Field
5. P-4 showing purchaser for Exxon well in Laura Thomson (4850) Field
6. Proration schedule for Laura Thomson, S. (5200) Field
7. Form AOF-1 for Laura Thomson, S. (5200) Field
8. Form AOF-2 for Laura Thomson, S. (5200) Field
9. Gas ledger for Laura Thomson, S. (5200) Field
10. P-4 showing purchaser for Exxon well in Laura Thomson, S. (5200) Field
11. Statewide Rule 34 on ratable takes
12. Other fields connected to same purchaser's system