

January 5, 2000

**OIL AND GAS DOCKET NO. 04-0223143**

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**THE APPLICATION OF DAN A. HUGHES TO SUSPEND THE ALLOCATION FORMULA FOR THE BERRY R. COX (WILCOX L-1) FIELD, WEBB COUNTY, TEXAS**

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**Heard by:** Margaret Allen, Technical Hearings Examiner

**Procedural history**

Application received: November 3, 1999

Hearing held: January 5, 2000

**Appearances**

Flip Whitworth  
Don Rhodes

Representing  
Dan A. Hughes

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Dan A. Hughes is seeking to have the allocation formula for the Berry R. Cox (Wilcox L-1) Field suspended. The application is unopposed.

**DISCUSSION OF THE EVIDENCE**

The Dan A. Hughes (Wilcox L-1) Field was discovered late in 1997 with the completion of the Hughes K.H.B. "70" Well No. 2. The only other well in the field, the Tesoro E&P Co., LLP, Ruben Gonzales Well No. 8, was completed in December of 1997. Tesoro has not signed a Form AOF-2 that would indicate it has a market for 100% of the deliverability of the Ruben Gonzales No. 8.

The initial deliverability of the Dan A. Hughes well was 287 MMCF per day. The initial deliverability of the Tesoro well was 280 MMCF per day. On February 28, 1998, the Commission entered an interim order restricting the allowables of each of the two wells to 25 MMCF/D. These allowables were to have been in effect until final disposition of Tesoro's application for field rules and determination of productive acreage. The application was dismissed April 29, 1998.

Before this application was dismissed, allowable for each well was stated at 25 MMCF/D on Commission records. However, elsewhere Commission records for the field as a whole, indicate the field's allowable for March, April and May was based instead on the wells' total capability (March and May) or the field forecast (April). After May, 1998, the field was prorated on the two wells' deliverabilities and the forecast correction adjustment began rising steeply. The assignment of allowables that greatly exceeded the wells' capabilities was largely due to very rapid production decline, as much as 40% per year. Neither operator filed Forms MD-1 or GC-1 which could have reduced the allowable imbalance.

By September, 1998, each well had accumulated about 1.5 BCF of underproduction, and by October, 1998, the Forecast Correction Adjustment removed over 1.5 BCF from the field's allowable. The allowable system continued to remove large amounts of allowable resulting in assignment of zero

allowables from October 1998, through February 1999, and again in April 1999. The assignment of zero allowables overcorrected the field's underproduction. While the zero allowables were assigned, both wells eventually became significantly overproduced.

By July of 1999, the Tesoro well had about 200 MMCF of overproduction and the Dan A. Hughes well had 1 BCF of overproduction. After July, 1999, forecast correction adjustments ceased removing as much allowable from the field and the amount of overproduction began decreasing for the Tesoro well. In fact, by November 1999, the Tesoro well had become underproduced by 47 MMCF, though the Dan A. Hughes well is still overproduced by 1 BCF.

The gas produced from the Berry R. Cox (Wilcox L-1) Field requires treatment due to high CO<sub>2</sub> and H<sub>2</sub>S content. When the field was first discovered there was some concern about getting all the gas to market because there was only one treatment plant available and it had limited capacity. There are now two gas plants available and all the gas produced from the field can be treated. MidCon Texas Pipeline Operator, Inc. is gatherer and purchaser from both operators and it has stated that it has facilities and market for both wells to produce at their deliverabilities.

Current deliverability for the Dan A. Hughes well is reported as 6515 MCF/D and for the Tesoro well is 3284 MCF/D. Most recent reported production for the Dan H. Hughes well averaged 6266 MCF/D and most recent reported production for the Tesoro well averaged 835 MCF/D.

### **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. Dan A. Hughes 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 well.
3. Tesoro has not signed a Form AOF-2 which would indicate that it also has a market for all of the gas its well can produce.
4. The Berry R. Cox (Wilcox L-1) Field was discovered in December of 1997, with the completion of the Dan A. Hughes K.H.B. "70" Well No. 2, at an initial rate of 287 MMCF/D.
5. The only other well in the field, the Tesoro Ruben Gonzales No. 8, was completed in December of 1997, with an initial deliverability of 280 MMCF/D.
6. Allocation of 25 MMCF/D per well was supposedly in effect during March, April and May of 1998, due to Commission order, but since then allowables have been based on deliverability.
7. Some months the allowables in this field have been far greater than the wells could produce and other months zero allowable was assigned, much less than the wells produced.
8. Production declines have been rapid in this field, as much as 40%, and the allowable system initially assigned so much allowable that each well accumulated about 1.5 BCF of underproduction.

9. Assignment of zero allowables from October 1998, through April, 1999, overcorrected the system and each well became overproduced.
10. Currently the Dan A. Hughes well is overproduced by 1 BCF, while the Tesoro well is underproduced by 47 MMCF.
11. Both wells are still producing considerable amounts of gas and the allocation system is still not working properly.
12. Shutting in the Dan A. Hughes well to make up overproduction is unnecessary and will not improve the allowable for the other well in the field.
13. MidCon, gatherer and purchaser of all gas from the field, indicated it can treat all of the gas produced and has a market for it.

### **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 Berry R. Cox (Wilcox L-1) Field be suspended, as per the attached order.

Respectfully submitted,

Margaret Allen  
Technical Hearings Examiner

Date of Commission Action: January 25, 2000

Exhibits

1. Map
2. Interim order
3. Proration schedule
4. Forms AOF-1 and AOF-2
5. P-4 showing purchaser
6. Allowable statistics and FCA
7. Gas Ledger
8. G-10 test history
9. Letter from purchaser