

THE APPLICATION OF YATES ENERGY CORPORATION FOR EXCEPTION TO THE G-10 DELIVERABILITY WELL TESTS PRESCRIBED BY STATEWIDE RULE 28 FOR ITS WELLS IN THE DUBOSE (EDWARDS -A-) FIELD, GONZALES COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

HEARING DATE: October 26, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Paul Tough
Bruce C. Miller
James F. O'Brian, Jr.

Yates Energy Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Yates Energy Corporation ("Yates") requests an exception to the G-10 deliverability well tests prescribed by Statewide Rule 28 for all of its wells in the Dubose (Edwards -A-) Field, Gonzales County, Texas. Yates also requests that condensate allocation for Commingling Permit No. 0617 be based on gas allocation and not on G-10 deliverability well tests and that any delinquent G-10 deliverability tests be canceled. At the hearing, Yates amended its request to also cancel any over-production on its wells.

After notice to cancel any over-production on Yates's wells, the application was unopposed and the examiner recommends approval.

DISCUSSION OF EVIDENCE

The Dubose (Edwards -A-) Field was discovered in October 1960 at an average depth of 12,000 feet. The field is designated as associated with 10 producing gas wells, one producing oil well and four operators carried on the proration schedules. The allocation formula is currently suspended and many of the wells produce less than 100 MCFGPD. The estimated cumulative production from the field through September 2011 is over 100 BCFG and 1.5 MMBO.

The Dubose (Edwards -A-) Field produces from the Edwards formation, which is a limestone or carbonate reservoir that was deposited on the San Marcos Platform. The field

is bounded to the north by an up to the coast fault that has 500-600 feet of displacement. The Edwards formation has similar reservoir characteristics throughout and is homogenous and laterally consistent across the field. The primary drive mechanism is a depletion drive and all of the wells produce condensate at a uniform gas to condensate ratio.

Yates operates nine wells in the Dubose (Edwards -A-) Field under Commingling Permit No. 0617 and the gas production from each of the nine wells is separately metered. The field is in the final stage of depletion and most of the wells do not produce gas at sufficient rates to consistently unload the produced fluids. The wells are slugging liquids at gas rates below 100 MCFGPD and the October G-10 tests for three wells measured zero production of liquids during the test period. Yates does not believe that the G-10 deliverability well tests accurately reflect actual liquid production. Accordingly, liquid allocation on Commingling Permit No. 0617 based on the G-10 tests is not fair and equitable, since many of the wells do not produce any liquids during the test period.

Yates requests an exception to the G-10 deliverability well tests prescribed by Statewide Rule 28 for all of its wells in the Dubose (Edwards -A-) Field. Yates proposes that liquid allocation for Commingling Permit No. 0617 be based on gas allocation and not on the G-10 deliverability tests. The gas allocation method of liquid production is based on the ratio of the total monthly production of gas attributed to a well to the total monthly production of gas from all commingled wells. Each well is attributed its portion of liquid production based on this ratio. Yates also requests that any delinquent G-10 deliverability well tests and any over-production on its wells be canceled.

FINDINGS OF FACT

1. Notice was issued to all affected persons at least ten (10) days prior to the date of the hearing.
2. The Dubose (Edwards -A-) Field was discovered in October 1960 at an average depth of 12,000 feet.
 - a. The field is designated as associated with 10 producing gas wells, one producing oil well and four operators carried on the proration schedules.
 - b. The allocation formula is currently suspended and many of the wells produce less than 100 MCFGPD.
3. The Dubose (Edwards -A-) Field produces from Edwards limestones and carbonates that were deposited on the San Marcos Platform.
 - a. The field is bounded to the north by an up to the coast fault that has 500-600 feet of displacement.

- b. The Edwards formation has similar reservoir characteristics throughout and is homogenous and laterally consistent across the field.
 - c. The primary drive mechanism is a depletion drive and all of the wells produce condensate at a uniform gas to condensate ratio.
4. The Dubose (Edwards -A-) Field is in the final stage of depletion and many of the wells do not produce gas at sufficient rates to consistently unload the produced fluids.
 - a. The wells are slugging liquids at gas rates below 100 MCFGPD and the G-10 deliverability well tests are not indicative of a well's ability to produce liquids.
 - b. Liquid allocation on Yates Commingling Permit No. 0617 based on G-10 deliverability well tests is not fair and equitable, since many of the wells do not produce any liquids during the tests.
5. Allocation of liquid production based on the gas allocation method accurately attributes to each well its fair share of aggregated liquid production.
6. Due to delinquent G-10 deliverability well tests, the Yates operated wells in the Dubose (Edwards -A-) Field are over-produced.

CONCLUSIONS OF LAW

1. Proper notice was timely issued to all persons legally entitled to notice.
2. All things have been accomplished to give the Commission jurisdiction in this matter.
3. Approval of an exception to the G-10 deliverability well tests prescribed by Statewide Rule 28 for all of Yates's wells in the Dubose (Edwards -A-) Field will not cause waste or harm correlative rights.
4. Liquid allocation for Commingling Permit No. 0617 based on gas allocation and not on G-10 deliverability well tests will not cause waste or harm correlative rights.
5. Cancellation of over-production for Yates Energy Corporation's wells in the Dubose (Edwards -A-) Field will not harm correlative rights or cause waste.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission grant an exception to the G-10 deliverability well tests prescribed by Statewide Rule 28 and cancel any delinquent G-10 deliverability well tests and any over-production for all of Yates Energy Corporation's wells in the Dubose (Edwards -A-) Field.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner