



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7B-0289583

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APPLICATION OF NEWARK E&P OPERATING LLC FOR A BLANKET RULE 10  
EXCEPTION FOR THE BURNS-DALTON (MARBLE FALLS) AND NEWARK, EAST  
(BARNETT SHALE) FIELDS IN PALO PINTO AND JACK COUNTIES, TEXAS

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HEARD BY: Paul Dubois - Technical Examiner  
Cecile Hanna - Hearings Examiner

DATE OF HEARING: July 9, 2014

**APPEARANCES:**

Dale Miller  
Richard Atkins

**REPRESENTING:**

Newark E&P Operating LLC

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

This is the application of Newark E&P Operating LLC (Newark), for the Commission to consider granting a blanket exception to Statewide Rule 10 allowing downhole commingling of the Burns-Dalton (Marble Falls) and Newark, East (Barnett Shale) Fields in Palo Pinto and Jack Counties, Texas. This application for blanket Statewide Rule 10 authority for the two fields is not protested; the examiners recommend the application be approved.

#### DISCUSSION OF THE EVIDENCE

Statewide Rule 10 generally prohibits oil and gas from being produced from multiple fields through the same string of tubulars. Operators may apply for an exception to this general prohibition if the commingled production will prevent waste, promote conservation or protect correlative rights. Newark requests authority to commingle the Burns-Dalton and Newark, East fields in Palo Pinto and Jack County, where both are currently co-developed, as well as in adjacent counties which may be co-developed in the future.

The Marble Falls Formation directly overlies the Barnett Shale Formation. The Burns-Dalton (Marble Falls) Field has been developed primarily in Palo Pinto County, with some development in Jack County, a total of about 50 wells. The area of potential future development extends into Young and Parker Counties as well. The Newark, East (Barnett Shale) Field is much larger with several thousand wells, especially in counties to the east of the subject area. However, in this area wells completed only in the Barnett Shale Formation are generally not economically productive unless commingled with the adjacent Marble Falls Formation. In this area, the Marble Falls is the primary production target. Commingling production from the two formations will increase incremental reserves by lowering the abandonment pressure of wells completed in both formations.

Production from the Barnett Shale and Marble Falls Formations has been successfully commingled in the past. Newark currently holds a Rule 10 exception for its Colleen Lease, Well No. 2, issued by Commission staff on June 26, 2014. Newark stated that the Colleen No. 2 was the first of about 14 wells for which it would seek an exception to Rule 10 to commingle the two fields. Newark believes that a blanket exception is appropriate to ease administrative burden on both operators and Commission staff, facilitating development of both fields. Also, a blanket exception to commingle production for the Newark, East (Barnett Shale) and Oran (Marble Falls) Fields in Palo Pinto County was issued by the Commission on January 7, 2014 (Final Order, Docket No. 7B-0284969).

Newark stated there will be no fluid compatibility issues with fluids produced from both fields, and that cross-flow between the fields will not occur. Newark stated that the Barnett Shale may be the source rock for hydrocarbons currently occurring in the Marble Falls.

Newark also requests that operators file an abbreviated Statewide Rule 10 Exception Data Sheet for each well to be commingled (included with attached recommended Final Order), and that the commingled production be reported to the Burns-Dalton (Marble Falls) Field.

#### **FINDINGS OF FACT**

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the hearing.
2. No protest to the subject application was received.
3. The subject formations have been successfully commingled several times in the immediate area.
4. Reservoir cross-flow is not anticipated to happen.

5. The reservoir fluids are expected to be compatible.
6. Commingling the two fields will allow both fields to produce at a combined economic rate.
7. Without authority to commingle the two fields, potential reserves in the Newark, East (Barnett Shale) Field in this area are not economical to produce.
8. The proposed blanket exception to Statewide Rule 10 will reduce waste, promote the orderly development of the Burns-Dalton (Marble Falls) and Newark, East (Barnett Shale) Fields, and protect correlative rights.

**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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 3.10
3. The proposed exception to Statewide Rule 10 for the Burns-Dalton (Marble Falls) and Newark, East (Barnett Shale) Fields in Palo Pinto and Jack Counties, Texas, will prevent waste and protect correlative rights. 16 Tex. Admin. Code § 3.10

**EXAMINERS' RECOMMENDATION**

Based on the above findings and conclusions of law, the examiners recommend approval of the proposed blanket exception to Statewide Rule 10 for the Burns-Dalton (Marble Falls) and Newark, East (Barnett Shale) Fields .

Respectfully submitted,



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Technical Hearings Examiner



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