



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 06-0290213

THE APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE STOCKMAN (COTTON VALLEY) FIELD, SHELBY COUNTY, TEXAS

OIL AND GAS DOCKET NO. 06-0290218

THE APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE STOCKMAN, SOUTH (TRAVIS PEAK) FIELD, SHELBY COUNTY, TEXAS

OIL AND GAS DOCKET NO. 06-0290219

THE APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE CARTHAGE (HAYNESVILLE SHALE) FIELD, SHELBY COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Michael Crnich – Legal Examiner

REVIEWED BY: Laura Miles-Valdez – Legal Examiner

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CONFERENCE DATE: January 27, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Michael Choate
Keith Masters

BP America Production, Co.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Stockman (Cotton Valley), Stockman, South (Travis Peak), and the Carthage (Haynesville Shale) Fields are all classified as non-associated fields. In other words, the subject fields contain only gas wells. BP America Production Co. ("BP") seeks exceptions to 16 Tex. Admin. Code §3.28(b) ("Statewide Rule 28(b)"), which requires semi-annual G-10 deliverability tests for all gas wells in a non-associated gas field after the respective gas well's initial G-10 deliverability test has been performed. Specifically, BP requests that the requisite G-10 deliverability tests be arrested while the Field's allocation formula is suspended (*i.e.*, Absolute Open Flow, or AOF status). Furthermore, if the Field's allocation formula is reinstated, then BP requests that the G-10 deliverability test requirement be annual as opposed to semi-annual.

The subject application is unopposed. BP was the sole party at the hearing, where evidence was presented through direct testimony of its expert witness, along with written exhibits, were entered into the record. After full consideration of the record evidence, the examiners recommend that the relief sought by BP in the instant case be granted.

DISCUSSION OF THE EVIDENCE

Mr. Keith Masters, a consulting engineer, testified on behalf of BP as an expert in petroleum engineering.

Titled "Potential and Deliverability of Gas Wells To Be Ascertained and Reported," Statewide Rule 28 ("SWR 28") generally states that certain information must be submitted to determine the absolute daily open flow potential (*i.e.*, deliverability) of each producing gas well (associated and nonassociated) after initial completion. After the well's initial deliverability test has been conducted, the well is required to follow a particular G-10 testing schedule. However, certain exceptions are available. For instance, SWR 28(c) states:

Unless applicable special field rules provide otherwise or the director of the oil and gas division or the director's delegate authorizes an alternate procedure due to a well's producing characteristics, deliverability shall be performed as follows.

[...]

Exceptions and extensions to the timing requirements for deliverability tests and shut-in wellhead pressure tests may be granted by the Commission for *good cause* (emphasis added).

In the immediate cases, BP requests the following relief: (1) Suspension of the G-10 deliverability testing requirement for all gas wells while the Field remains classified as AOF status; and (2) if the Field's allocation formula reinstated (*i.e.*, rescension of the AOF status), then the Field's deliverability testing schedule is lessened from semi-annual to annual and performed October to December.

In general, an allocation formula is designed to prevent waste and protect correlative rights by fairly distributing the available market for production from the reservoir.¹ The subject fields are classified as non-associated, and each field's allocation formula is suspended. Thus, rendering the subject fields as AOF status. In other words, the Commission has determined at a prior date that there is a 100% market demand for all gas produced from the subject fields; therefore, all gas wells in each field have been authorized to produce as much hydrocarbon gas as each well is capable of delivering to market.

BP submitted an excerpt of the Commission's publication titled, "Permitting & Production Services Filing Procedures Manual" (the "Manual"). Mr. Masters testified that the Manual provides guidance on how the Commission determines a gas well's capability (*i.e.*, deliverability), which is done by taking the less of either the well's most recent G-10 deliverability test or its highest production within the last 3 month period. Mr. Masters testified that when a Commission-designated field is classified as AOF status the G-10 deliverability test is unnecessary because each gas well is essentially producing its deliverability each month. In other words, if a field is designated as AOF status then the G-10 deliverability test is not needed because it is assumed that each gas well is producing its full capacity of gas each month (*i.e.* its deliverability).

BP requests that the G-10 testing schedule for gas wells in the subject fields be changed from semi-annual to annual upon reinstatement of the Field's allocation formula. BP submitted copies of prior Commission Final Orders involving the subject fields where exception to the semi-annual requirement has been granted.² In Oil and Gas Final Order 06-0281776, each well in the subject fields was granted authority to perform G-10 deliverability tests annually, so long as the respective field is classified as AOF status. In the instant cases, BP believes it has shown good cause to grant its requested relief.

FINDINGS OF FACT

1. BP America Production Co. ("BP") seeks exception for the Stockman (Cotton Valley), Stockman, South (Travis Peak), and the Carthage (Haynesville Shale) Fields (the "subject fields"), pursuant to Statewide Rule 28(b) [16 Tex. Admin. Code §3.28(b)]

¹ Commission's *Discussions of Law, Practice, and Procedure*, Part I, Subsection F.

² Oil & Gas Final Order 06-0281776.

2. All operators in the subject fields were provided notice of the subject applications.
3. BP requests that the requirements to perform G-10 deliverability tests on gas wells in the subject fields be removed while the subject fields' respective allocation formula is in suspension.
4. The subject fields are currently classified as Absolute Open Flow status.
5. Requiring G-10 deliverability tests is not necessary while the subject fields' allocation formulas are in suspension.
6. All wells in the subject fields were granted exception to Statewide Rule 28(b) to perform G-10 deliverability tests annually, as opposed to semi-annually, so long as each Field is classified as AOF status.
7. BP has shown good cause for its requested exceptions to Statewide Rule 28(b).
8. Approval of the application is reasonable and appropriate, pursuant to Statewide Rule 28(b).

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. Legally sufficient notice has been provided to all affected persons.
3. Exception for the Stockman (Cotton Valley), Stockman, South (Travis Peak), and the Carthage (Haynesville Shale) Fields, pursuant to Statewide Rule 28(b) [16 Tex. Admin. Code §3.28(b)] will prevent waste and protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the G-10 deliverability testing requirement be arrested while the subject fields' allocation formula are in suspension. If the allocation formulas are reinstated, then the subject fields' G-10 deliverability testing schedules should be conducted annually from October to December.

Respectfully submitted,



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Technical Examiner



Laura Miles-Valdez
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