



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0302721

THE APPLICATION OF CABOT OIL AND GAS CORPORATION FOR AMENDING AND RENUMBERING THE PERMANENT FIELD RULES FOR THE AMMANN (BUDA) FIELD, DIMMIT, MAVERICK, WEBB, ZAVALA, FRIO, ATASCOSA AND LA SALLE COUNTIES, TEXAS

HEARD BY: Richard Eyster - Technical Hearings Examiner
Jennifer N. Cook - Administrative Law Judge

HEARING DATE: January 26, 2017

CONFERENCE DATE: February 28, 2017

APPEARANCES:

Dale E. Miller
Kimberly A. Dillard, P.E.
Mary Torres
Karen Ballew

REPRESENTING:

Cabot Oil & Gas Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cabot Oil & Gas Corporation ("Cabot") requests the Commission amend and Renumber the permanent field rules for the Ammann (Buda) Field, which were amended on August 6, 2013 in Oil & Gas Docket No. 01-0283008. Specifically, Cabot applied to harmonize certain field rule provisions with the Commission's amendments to SWR 86 (16 Tex. Admin. Code §3.86), which became effective on February 1, 2016 and also to harmonize with the immediately overlying Briscoe Ranch (Eagleford) Field rules.

Cabot proposes to amend and renumber the permanent field rules in the Ammann (Buda) Field to model after the field rules recently adopted in the overlying Briscoe Ranch (Eagleford) Field. The Commission adopted a blanket authority for exceptions to Statewide Rule 10 for the Briscoe Ranch (Eagleford) and Ammann (Buda) Fields on November 6, 2012 in Oil & Gas Docket No. 01-0277305. Cabot is requesting that the

previously adopted box rule in effect be deleted to allow for the provisions of SWR 86(b)(5)(A) and (B) to be applicable to the subject Ammann (Buda) field. In addition, Cabot is requesting that the density rules apply independently to vertical and horizontal wells in the field and that acreage assignments can be made on the Form P-16 with a plat of the entire lease with no requirement to file individual proration plats. However, an operator may file a proration unit plat along with the Form P-16 if they so desire. There is no maximum diagonal limitation for this field.

The Briscoe Ranch (Eagleford) Field is classified as a Commission designated unconventional fracture treated (UFT) Field and the maximum daily allowable for a horizontal well is governed by the SWR 86(d)(5), whereas the Ammann (Buda) Field is not designated as a UFT field. Cabot also requests that the proposed field rules amendment pertaining to the allowable will be governed by the provisions as stated in SWR 86(d)(5). Additionally, Cabot requests that a flowing oil well be able to obtain a six-month exception to the requirement in §3.13(b)(4)(A) (regarding producing through tubing).

The application is unopposed and the examiners recommend that field rules be amended for the Ammann (Buda) Field, as proposed by Cabot.

DISCUSSION OF THE EVIDENCE

The Ammann (Buda) Field was discovered on January 30, 1977 at a depth of approximately 5,900' in Dimmit County, Texas. The field to date has been developed in Maverick, Webb, Zavala, Frio, Atascosa and La Salle Counties, Texas. The field is actively being developed with horizontal wells and the new completions are predominantly downhole commingled and being prorated in the Briscoe Ranch (Eagleford) Field.

Operators, while drilling for the Eagleford target reservoir, are unintentionally entering the top of the Buda formation with their wells as it immediately underlies the Eagleford formation. The Blanket Rule 10 Order states that these wells have to be carried in the Briscoe Ranch (Eagleford) Field. Cabot has no wells on the current proration schedule that are carried in the Ammann (Buda) Field but demonstrated their standing to amend the field rules by showing that they already have 50 wells that have secured SWR 10 approval to downhole commingle this field with the Briscoe Ranch (Eagleford) Field and testimony was given that more are currently in the process.

Cabot requested that the current box rule in the field rules be deleted in favor of the provisions adopted in SWR 86 so that these rules are identical with the rules in the Briscoe Ranch (Eagleford) Field

As of December 2016, the Commission has approved a total of 90 downhole commingled wells in the Briscoe Ranch (Eagleford) and Ammann (Buda) Fields. The Commission's January 2017 Proration Schedule reflects 5 oil wells and 25 gas wells are carried in the subject field. The field rule amendments requested by Cabot for the modern horizontal drainhole rules are considered to be in compliance with and harmonize well with the Commission's amendments to SWR 86 (effective February 1, 2016).

Cabot requests consideration that the field was originally developed with vertical wellbores and that assigning acreage independently to horizontal and vertical wells is necessary to prevent restricting development of the subject field and the Briscoe Ranch (Eagleford) Field reserves.

Allowing for the six-month exception to SWR 13(b)(4)(A) will allow operators of flowing oil wells the flexibility to install tubing. Setting tubing in a well requires for the well to be killed, which is easier if the pressure has subsided, with brine instead of heavier weight muds. Under the proposed rules if the well is flowing at a pressure in excess of 300 psig surface wellhead flowing pressure, an additional extension can be obtained.

The acreage will be assigned to all of the wells by filling out a Form P-16 and a plat of the entire lease listing the acreage to be assigned to each well without the need for filing of individual proration plats. However, an operator, at his option shall still be allowed to file individual proration plats if they so desire.

The field rule amendments requested by Cabot effectively amount to doing house cleaning for their downhole commingled completions in the Ammann (Buda) Field. They want the rules to be identical for both fields so that there is no limitation on the development of their acreage and reserves.

Therefore, the Examiners recommend the proposed field rules be amended as requested by Cabot.

FINDINGS OF FACT

1. Notice of this hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. The hearing was not protested.
3. The Ammann (Buda) Field was discovered on January 30, 1977.
4. The current permanent field rules for the Ammann (Buda) Field were established in Oil & Gas Docket No. 01-0283008 on August 6, 2013.
5. The field is being actively developed with horizontal drainholes targeting the Eagleford but drilling into the Buda reservoir.
6. The field currently has 30 wells on the proration schedule, but the majority of the wells are downhole commingled with Eagleford formation and are carried on the proration schedule in the Briscoe Ranch (Eagleford) Field.
7. The amendments requested by Cabot for modern horizontal drainhole rules are considered to be in compliance with and harmonize well with the Commission's amendments to SWR 86 (effective February 1, 2016).

8. The Commission adopted a blanket authority for exception to SWR 10 for the Briscoe Ranch (Eagleford) and Ammann (Buda) Fields on November 6, 2012 in Oil & Gas Docket No. 01-0277305.
9. Allowing for horizontal and vertical wellbores to be assigned the same acreage for development of the Ammann (Buda) field is appropriate to prevent waste of recoverable reserves and to protect correlative rights.
10. Allowing for operators to dedicate acreage to wells on a Form P-16 with a plat of the entire lease is within the jurisdiction of the Commission and alleviates processing of needless paperwork for both the Commission and Operators.
11. The Briscoe Ranch (Eagleford) Field is a Commission designated unconventional fracture treated (UFT) Field and the maximum daily allowable for a horizontal well is governed by the SWR 86(d)(5), whereas the Ammann (Buda) Field is not designated as a UFT field.
12. The proposed field rules amendment pertaining to the allowable for the Ammann (Buda) Field to be governed by SWR 86(d)(5) is justified to keep all field rules identical.
13. Making the field rules harmonize completely for fields that are routinely being downhole commingled is within the Commission's jurisdiction and will prevent waste and promote development of the resources, thereby protecting correlative rights.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued as required by all applicable statutes and regulatory codes.
2. All things have been accomplished or have occurred to give the Railroad Commission jurisdiction in this matter.
3. Amending field rules for the Ammann (Buda) Field is necessary to prevent waste, protect correlative rights, promote conservation and provide for the orderly development of the field and will satisfy statutory requirements.

EXAMINER'S RECOMMENDATION

Based on the above findings of facts and conclusions of law, the examiners recommend that the Commission amend the permanent field rules for the Ammann (Buda) Field, as proposed by Cabot.

Respectfully submitted,



Richard Eyster
Technical Hearings Examiner



Jennifer N. Cook
Administrative Law Judge