



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 10-0302406

**THE APPLICATION OF PANTERA ENERGY COMPANY PURSUANT TO
STATEWIDE RULE 31(J) TO CONSIDER SUSPENDING THE ALLOCATION
FORMULA FOR THE PANHANDLE, WEST (688 31001) FIELD, VARIOUS
COUNTIES, TEXAS**

HEARD BY: Paul Dubois – Technical Examiner
Ryan M. Lammert – Administrative Law Judge

HEARING DATE: August 23, 2017

CONFERENCE DATE: September 19, 2017

APPEARANCES:

APPLICANT:

David Gross
Jason Herrick
Scott Herrick

REPRESENTING:

Pantera Energy Company

INTERVENOR:

Sandra Buch

Pioneer Natural Resources USA Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 31(j) [16 Tex. Admin. Code § 3.31(j)], Pantera Energy Company ("Pantera") requests the allocation formula for the Panhandle, West Field be suspended. The application was not protested at the call of the hearing. Pioneer Natural Resources USA, Inc., an operator of several hundred wells in the field, intervened to express its support for Pantera's application. There are 2,278 producing wells in the Panhandle, West Field, but only about 24 (one percent) of the wells in the field are limited by the allocation formula. Pantera and Pioneer assert the allocation formula may, in fact, cause waste by functioning as a regulatory barrier to development of the field in the absence of a regulatory interest to allocate production. The Examiners conclude that the market demand for gas produced from all wells in the Panhandle,

West Field exceeds 100 percent of deliverability; therefore, suspending the allocation formula is appropriate as it will prevent waste and protect correlative rights. The Examiners recommend Pantera's application be granted and the allocation formula suspended.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing.
2. No persons appeared in protest at the call of the hearing.
3. Pioneer Natural Resources USA, Inc., an operator of several hundred wells in the field, intervened to express its support for Pantera's application.
4. On September 30, 2016, Pantera filed Commission Form AOF-1 requesting that the allocation formula for the Panhandle, West Field be suspended.
 - a. Pantera sent Commission Form AOF-2 to all 129 operators of wells in the Panhandle, West Field.
 - b. 68 of the 129 operators of gas wells in the field certified that there is market demand for 100 percent of the production capacity of the active gas wells in the field by signing and returning Form AOF-2 to Panterra.
 - c. Because some of the operators in the field did not return Form AOF-2, Commission staff could not administratively approve Pantera's application.
 - d. Pursuant to the requirements of Statewide Rule 31(j), Pantera requested a hearing to suspend the allocation formula.
5. There are 2,278 active gas wells in the Panhandle, West Field on the August 2017 proration schedule.
6. The existing allocation formula for the Panhandle, West Field is based on Commission-designated factors for acreage, deliverability, and market demand.
7. The acreage and deliverability factors can vary widely from month to month. Between April and August of 2017, the acreage factor ranged from about 16.6 to 4.6 and the TMP factor ranged from 5.8 to 6.3.

8. The wide swings in acreage factor results in comparably wide swings in monthly allowable.
9. The wide swings in monthly allowables for some wells creates a disparate burden on operators to manage production rates and maintain compliance with Commission rules.
10. The existing allocation formula is also a function of measured shut-in wellhead pressure ("SIWP") for individual wells.
 - a. Wells in the field exhibit very low SIWP.
 - b. Operators are no longer required by the Commission to file regular Gas Well Status Reports (Form G-10) that document SIWP.
11. Only about 1 percent of the wells in the field are affected by production limits imposed by the existing allocation formula.
12. The market demand for gas production from all wells in the Panhandle, West Field exceeds 100 percent of deliverability.
13. The allocation formula for the Panhandle, West Field does not prevent waste or protect correlative rights.
14. At the hearing, the applicant agreed on the record that a Final Order in this case is to be effective when the Master Order is signed.

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 § 3.31(j).
3. Approval of the application will prevent waste and protect correlative rights.
4. Pursuant to § 2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on September 19, 2017.

EXAMINERS' RECOMMENDATION

The Examiners recommend the application of Pantera Energy Company to suspend the allocation formula for the Panhandle, West Field be approved.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul Dubois".

Paul Dubois
Technical Examiner

A handwritten signature in blue ink, appearing to read "Ryan M. Lammert".

Ryan M. Lammert
Administrative Law Judge