



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 01-0306076

THE APPLICATION OF CABOT OIL & GAS CORPORATION FOR AN EXCEPTION TO STATEWIDE RULE 10 TO DOWNHOLE COMMINGLE IN THE BRISCOE RANCH (EAGLEFORD), THE AMMANN (BUDA), AND THE LORENZO (AUSTIN CHALK) FIELDS IN ATASCOSA, DIMMIT, FRIO, LA SALLE, MAVERICK, MCMULLEN, WEBB, AND ZAVALA COUNTIES, TEXAS

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

HEARING DATE: September 29, 2017

CONFERENCE DATE: November 7, 2017

APPEARANCES:

APPLICANT:

Dale Miller
Kim Dillard, P.E.

REPRESENTING:

Cabot Oil & Gas Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Pursuant to Statewide Rule 10 (16 Tex. Admin. Code §3.10) Cabot Oil & Gas Corporation ("Cabot") seeks a blanket exception to downhole comingle wells completed in the Briscoe Ranch (Eagleford), Amman (Buda), and Lorenzo (Austin Chalk) Fields in Atascosa, Dimmit, Frio, La Salle, Maverick, McMullen, Webb and Zavala Counties, Texas. Cabot provided testimony and evidence that downhole commingling will prevent waste and not harm the productive reservoirs. The application was not protested. The Examiners recommend Cabot's blanket exception to Statewide Rule 10 for the subject fields in the subject counties be granted.

Generally, Statewide Rule 10 restricts the production of oil and gas from a single stratum, but the rule also provides for exceptions to prevent waste, promote conservation or protect correlative rights. Statewide Rule 10 states:

- (a) *General prohibition. Oil or gas shall not be produced from different strata through the same string of tubulars except as provided in this section. As used in this section, "different strata" means two or more different commission-designated fields, or one or more commission-designated fields and any other hydrocarbon reservoir.*
- (b) *Exception. After notice and an opportunity for a hearing, the commission or its delegate may grant an exception to subsection (a) of this section to permit production from a well or wells commingling oil or gas or oil and gas from different strata, if commingled production will prevent waste or promote conservation or protect correlative rights.*

Cabot seeks a blanket exception to allow a well in one of the three subject fields to commingle production from one or both of the other two subject fields. In the subject area, the Austin Chalk Formation directly overlies the Eagleford Shale, which in turn directly overlies the Buda Limestone. Cabot documented a number of instances in which the Commission has authorized commingling between the Austin Chalk and the Eagleford Shale; similar documentation was provided for Commission authorization of commingling between the Eagleford Shale and the Buda Limestone.

Cabot provided evidence indicating technical challenges in drilling wells targeting the lower Eagleford Formation, in which operators frequently experience unexpected penetration into the adjacent formations; wells may "bounce" into over- or under-lying formations due to stratigraphic changes, structural discontinuities, or by wellbore steering challenges. By this application, Cabot asserts commingling of subsurface fluids will not harm the hydrocarbon-bearing formations, and authority to downhole commingle the three fields will prevent waste, promote conservation, and protect correlative rights.

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. The Lorenzo (Austin Chalk) Field is developed with wells in four counties (Dimmit, Frio, Webb, and Zavala).
3. The Ammann (Buda) Field is developed with wells in six counties (Atascosa, Dimmit, Frio, La Salle, Maverick, McMullen, Webb, and Zavala).
4. The Briscoe Ranch (Eagleford) Field is developed with wells in eight counties (Atascosa, Dimmit, Frio, La Salle, Webb, and Zavala).
5. The Briscoe Ranch (Eagleford) Field is a hydrogen sulfide field.

6. Cabot operates oil wells that are carried on the Briscoe Ranch (Eagleford) Field proration schedule.
7. The Commission authorized blanket authority to downhole commingle wells in the Briscoe Ranch (Eagleford) and Amman (Buda) Fields in Oil & Gas Docket No. 01-0277305, signed on November 6, 2012. About 100 wells have been downhole commingled in these two fields
8. The Commission authorized blanket authority to downhole commingle wells in the Briscoe Ranch (Eagleford) and Lorenzo (Austin Chalk) Fields in Oil & Gas Docket No. 01-0282679, signed on August 6, 2013. About 34 wells have been downhole commingled in the these two fields.
9. On August 17, 2017, Commission staff approved Cabot's application to downhole commingle its Thompson Ranch Well No. 11H (API No. 42-163-34012) in the Briscoe Ranch (Eagleford), Ammann (Buda), and Lorenzo (Austin Chalk) Fields, and the well was assigned to the Briscoe Ranch (Eagleford) Field.
10. Cabot has identified its Dauntless 1H well that will require a similar exception to Statewide Rule 10.
 - a. The Dauntless 1H well was intended to be completed in the Briscoe Ranch (Eagleford) Field.
 - b. The Dauntless 1H well inadvertently and briefly penetrated the Amman (Buda) Field twice during the 2.3 mile long lateral.
 - c. The Dauntless 1H well inadvertently penetrated the Lorenzo (Austin Chalk) Field as a result of penetrating a fault on which the Austin Chalk Formation was downthrown into the trajectory of the well.
11. Cabot has identified a number of future wells that may also require such an exception to Statewide Rule 10 because of their wellpath designs.
12. 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 §§1.42 and 1.45.

3. The requested authority to downhole commingle production from the three subject fields meets the requirements of Title 16, Texas Administrative Code §3.10(b).
4. Approval of the application will prevent waste and protect correlative rights.
5. 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 November 7, 2017.

EXAMINERS' RECOMMENDATION

The Examiners recommend approval of the application of Cabot Oil & Gas Corporation to downhole commingle in the Briscoe Ranch (Eagleford), the Ammann (Buda), and the Lorenzo (Austin Chalk) Fields in Atascosa, Dimmit, Frio, La Salle, Maverick, McMullen, Webb, and Zavala Counties, Texas.

Respectfully submitted,



Paul Dubois
Technical Examiner



Ryan M. Lammert
Administrative Law Judge