



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 09-0310406 et seq

Oil & Gas Docket No. 09-0310406: Application of TEP Barnett USA, LLC Pursuant to the Mineral Interest Pooling Act to Create a Pooled Unit for the the Heidi-Little MIPA Well No. 2H, Newark, East (Barnett Shale) Field, Tarrant County, Texas;

Oil & Gas Docket No. 09-0310407: Application of TEP Barnett USA, LLC Pursuant to the Mineral Interest Pooling Act to Create a Pooled Unit for the HLC MIPA Well No. 3H, Newark, East (Barnett Shale) Field, Tarrant County, Texas;

Oil & Gas Docket No. 09-0310408: Application of TEP Barnett USA, LLC Pursuant to the Mineral Interest Pooling Act to Create a Pooled Unit for the Carden-Heidi-Little MIPA Well No. 1 H, Newark, East (Barnett Shale) Field, Tarrant County, Texas;

Oil & Gas Docket No. 09-0310409: Application of TEP Barnett USA, LLC Pursuant to the Mineral Interest Pooling Act to Create a Pooled Unit for the Carden-Heidi-Little MIPA Well No. 2H, Newark, East (Barnett Shale) Field, Tarrant County, Texas;

Oil & Gas Docket No. 09-0310410: Application of TEP Barnett USA, LLC Pursuant to the Mineral Interest Pooling Act to Create a Pooled Unit for the Carden-Heidi-Little MIPA Well No. 3H, Newark, East (Barnett Shale) Field, Tarrant County, Texas;

Oil & Gas Docket No. 09-0310411: Application of TEP Barnett USA, LLC Pursuant to the Mineral Interest Pooling Act to Create a Pooled Unit for the Little MIPA Well No. 4H, Newark, East (Barnett Shale) Field, Tarrant County, Texas;

Oil & Gas Docket No. 09-0310413: Application of TEP Barnett USA, LLC Pursuant to the Mineral Interest Pooling Act to Create a Pooled Unit for the Little-PVI MIPA Well No. 5H, Newark, East (Barnett Shale) Field, Tarrant County, Texas;

Oil & Gas Docket No. 09-0310414: Application of TEP Barnett USA, LLC Pursuant to the Mineral Interest Pooling Act to Create a Pooled Unit for the PVI MIPA Well No. 2H, Newark, East (Barnett Shale) Field, Tarrant County, Texas.

HEARD BY: Robert Musick – Technical Examiner
Clayton J Hoover– Administrative Law Judge

HEARING DATE: June 14, 2018

CONFERENCE: August 21, 2018

APPEARANCES: John Hicks, Counsel for Applicant

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

The Applicant, TEP Barnett USA, LLC (TEP) has filed Applications for these eight (8) units to be formed under the Mineral Interest Pooling Act.

APPLICABLE LAW

MIPA:

Texas does not have a compulsory pooling statute as do the majority of oil and gas producing states. Rather, it has what has been characterized as a compulsory voluntary pooling statute, known as the Mineral Interest Pooling Act ("MIPA"). MIPA was originally designed to apply when necessary to prevent minerals underlying small, irregularly shaped tracts from being wasted, produced by offset wells or produced by unnecessary wells. Although it was originally passed to address the difficulty in economically developing small, irregularly shaped tracts under spacing and density requirements, it has taken on a new importance in light of the difficulty in economically developing small, irregularly shaped tracts in unconventional oil and gas plays.

MIPA REQUIREMENTS:

Subject to limitations found elsewhere in the act, **Section 102.011 of MIPA** provides:

"[w]hen two or more separately owned tracts of land are embraced in a common reservoir of oil or gas for which the Commission has established the size and shape of proration units, whether by temporary or permanent field rules, and where there are separately owned interests in oil and gas within an existing or proposed proration unit in the common reservoir and the owners have not agreed to pool their interests, and where at least one of the owners of the right to drill has drilled or has proposed to drill a well on the existing or proposed proration unit to the common reservoir, the Commission, on the application of an owner specified in Section 102.012 of [the MIPA] and for the purpose of avoiding the drilling of unnecessary wells, protecting correlative rights, or preventing waste, shall establish a unit and pool all of the interests in the unit within an area containing the approximate acreage of the proration unit, which unit shall in no event exceed 160 acres for an oil well or 640 acres for a gas well plus 10 percent tolerance."

DISCUSSION OF THE EVIDENCE

No protestants appeared at the hearing on the merits. Applicant presented evidence to show that all MIPA requirements are satisfied, including evidence that the units are necessary to protect correlative rights and to prevent waste.

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. In addition, notice was published as required.¹
3. TEP sent voluntary pooling offers to TEP for each of the eight (8) proposed MIPA Units in these dockets.
4. The basic terms outlined in the voluntary pooling offer made by TEP have been found to be fair and reasonable in other cases. TEP has stated that the risk penalty may be adjusted without being considered adverse.
5. The tracts within each proposed MIPA Unit are within a common reservoir, for which the Commission has established the size and shape of proration units.
6. Formation of the proposed MIPA Units is the only option for accessing and producing reserves under the existing leases and units so as to prevent waste.²
7. Without compulsory pooling, TEP will not be able to drill any wells, TEP and its lessees will not have a reasonable opportunity to recover their fair share of hydrocarbons from the reservoir and the underlying hydrocarbons will be left unrecovered.
8. At the hearing, the applicant agreed on the record that a Final Order in this case is to be final and effective when the Master Order is signed.

CONCLUSIONS OF LAW

1. Pursuant to Texas Natural Resources Code § 102.016, notice of the hearing was given to all interested parties by mailing the notices to their last known addresses at least 30 days before the hearing and, in the case of parties whose whereabouts were unknown, by publication of notice for four (4) consecutive weeks in a newspaper of general circulation in the county where the proposed unit is located at least 30 days before the hearing.
2. As to the eight (8) proposed MIPA Units, the Commission has jurisdiction over the parties and the subject matter and has authority to issue a compulsory pooling order pursuant to Texas Natural Resources Code § 102.011.

¹ Applicant's Ex. 1-25.


² Id.

3. TEP made fair and reasonable offers to pool voluntarily, as required by Texas Natural Resources Code § 102.013, as to the eight (8) proposed MIPA Units. The eight (8) proposed MIPA Units are within a common reservoir, which is being developed as an unconventional resource play.
4. As to the eight (8) proposed MIPA Units, the terms and conditions of the respective eight (8) Final Orders in this proceeding are fair and reasonable, will afford the owner of each tract or interest in each respective unit the opportunity to produce or receive a fair share of, and will prevent waste of, produced hydrocarbons.

RECOMMENDATION

It is recommended that TEP's applications be **approved** as to the eight (8) proposed MIPA Units, subject to conditions, as set forth in the attached Final Orders.

Respectfully Submitted,



Clayton J. Hoover
Administrative Law Judge



Robert Musick
Technical Examiner