



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0310087

APPLICATION OF XTO ENERGY INC. (945936) FOR PERMANENT GAS WELL RECLASSIFICATION FOR VARIOUS LEASES, VARIOUS WELLS, KEYSTONE (ELLENBURGER) FIELD, WINKLER COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Peggy Laird – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

WRITTEN BY: Austin Gaskamp – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: May 30, 2018
POST-HEARING CONFERENCE: January 31, 2019
RECORD CLOSED: November 7, 2019
CONFERENCE DATE: December 17, 2019

APPEARANCES: **REPRESENTING:**

APPLICANT:
David Gross, Attorney XTO Energy Inc.
Rick Johnston, Engineer XTO Energy Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of XTO Energy Inc. ("XTO") to reclassify various wells in the Keystone (Ellenburger) Field ("Field"), Winkler County, Texas. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

XTO is seeking relief from severance and overproduction from attempting to produce its share of the Field's re-injected gas cap ("gas bank"). The Railroad Commission of Texas ("Commission") previously issued a Final Order in Oil and Gas Docket No. 08-0300400, which structured the "blow-down" recovery of the shared gas bank with Devon Energy Corporation ("Devon"). The order was supposed to go into effect starting with the July 2016 allowable, but the Well Compliance Unit was never able to implement the blow-down Order and has held XTO in overproduction on its oil wells recovering the Field's gas. At this point in the life of the wells, all meet statutory

requirements for gas well reclassification. Notice of the application was provided to the operators in the field and no protests were received. The Examiners recommend that the permanent gas well classification be granted for the requested wells, effective March 14, 2018, the date the application was received.

DISCUSSION OF THE EVIDENCE

The Keystone (Ellenburger) Field is a gas cap oil reservoir. Beginning in 1962 operators in the field established a gas bank and began reinjecting gas to maintain reservoir drive energy. There have been 16 Final Orders to amend field rules since that time. Most of these dockets have been to amend the conditions of the shared gas bank. In 2016, the Final Order in Oil and Gas Docket No. 08-0300400 set a field wide operator allowable of 9000 thousand cubic feet per day ("Mcf/d"). This Order also established the allocation percentages between two operators, Bopco, L.P. ("Bopco") and Devon. XTO acquired Bopco's portion of the Field's gas.

The Examiners assessed the well data based on the 2006 Commission Memo, research from Dr. Philip Moses (1986) and Dr. William McCain (1990 and 2011). Based on the 2006 Commission Memo, a well would be administratively classified as a gas well when:

- the GOR has met or exceeded 100,000 cubic feet per barrel of gas (cf/bbl.) based on ASTM testing and the well meets the requirements of Statewide Rule 79;
- the GOR is less than 100,000 cf/bbl, but the GOR exceeds 12,500 cf/bbl, and specific criteria such as API gravity, liquid color, boiling point, etc. also meet specific criteria;
- the GOR is exceeding 100,000 cf/bbl., but the ASTM testing is inconclusive. As a confirmation, a pressure, volume, temperature ("PVT") test can be run in the laboratory and the test results submitted to prove a well is a gas well;
- heptanes plus (C7+) mol percent of a compositional analysis is less than 11% mol percent.

XTO seeks to reclassify seven (7) wells as permanent gas wells. These seven wells exceed the statutory requirements for gas wells of a producing gas to oil ratio of 100,000 standard cubic feet per barrel oil ("scf/bbl"). XTO originally sought reclassification for 20 wells, but 13 wells were withdrawn due to production characteristics not consistent with statutory gas well reclassification. Allowing XTO to produce its portion of the gas bank will prevent waste of recoverable gas well gas and protect correlative rights of XTO in recovering its share of the gas bank outlined in Final Order 08-0300400.

At the hearing, XTO agreed on the record that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order will be final and effective on the date a Master Order relating to this Final Order is signed.

FINDINGS OF FACT

1. XTO requests permanent reclassification of various oil wells in the Keystone (Ellenburger) Field, Winkler County, Texas, as gas wells.
2. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of the hearing. No protests were received.
3. XTO requested a hearing in a letter sent to the Commission dated March 14, 2018.
4. The hearing was held on May 30, 2018. A post-hearing conference was held on January 31, 2019. The record was held open until November 7, 2019, to allow XTO to obtain well-test results and to submit new evidence supporting its application.
5. XTO agreed in writing or on the record that, pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), the Final Order will be final and effective on the date a Master Order relating to the Final 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.
3. Pursuant to §2001.144 (a)(4)(A) of the Texas Government Code and the agreement of the applicant on the record or in writing, this Final Order is effective when a Master Order relating to the Final Order is signed by the Commissioners.

EXAMINERS' RECOMMENDATION

Based on the above findings of facts and conclusions of law, the Examiners recommend permanent reclassification of seven (7) wells listed in Attachment A of this report, in the Keystone (Ellenburger) Field, Winkler County, Texas, to gas wells, as requested by XTO Energy Inc.

Respectfully submitted,



Austin Gaskamp
Technical Examiner



Kristi M. Reeve
Administrative Law Judge

Attachment A

Lease Name	Lease Name (Dist. 08)	Well No.	API Nos.
03361	Pure Walton	9E	42-495-00458
03370	Bashara, M.J.	6	42-495-03847
03370	Bashara, M.J.	30	42-495-03723
03375	Walton, J.B.	16	42-495-03892
03375	Walton, J.B.	26	42-495-03902
03375	Walton, J.B.	27	42-495-03903
36242	BASH	7	42-495-03422