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DANA AVANT LEWIS, *DIRECTOR*

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0325944

APPLICATION OF MDC TEXAS OPERATOR LLC (556511) FOR PERMANENT GAS WELL CLASSIFICATION EFFECTIVE DATE OF INITIAL COMPLETION FOR CERTAIN WELLS IN THE PHANTOM (WOLFCAMP) FIELD, REEVES COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Ezra A. Johnson – Administrative Law Judge

HEARING DATE: April 27, 2020
CONFERENCE DATE: November 4, 2020

APPEARANCES: **REPRESENTING:**

APPLICANT:
James M. Clark, Engineer MDC Texas Operator LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of MDC Texas Operator LLC ("MDC") to reclassify various wells in the Phantom (Wolfcamp) Field, Reeves County, Texas. The application was not protested. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

The special field rules for the Phantom (Wolfcamp) Field, established by a consolidated Final Order in Oil and Gas Docket Nos. 08-0295559 and 08-0303885, August 1, 2017, Rule 5, states that for any well in the field completed with the gas to oil ratio (GOR) of 3,000 cubic feet per barrel and above, the operator may elect to have such well permanently classified as a gas well, provided the GOR was determined by stabilized well test. Based on the field rule, MDC has requested permanent reclassification of 21 wells from oil to gas. 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 that meet the special field rule criteria.

DISCUSSION OF THE EVIDENCE

MDC requested a hearing on February 19, 2020. On April 9, 2020, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and offsetting operators in the field setting a hearing date of April 27, 2020. The notice included 24 wells. At the hearing MDC withdrew application for 3 wells. MDC presented evidence of well production in the first 180 days from the wells' inception for the remaining 21 wells.

The 2006 Commission Memo outlines the paths to reach a gas well classification and states: "A well would be administratively classified as a gas well if the heptanes plus (C7+) mol percent of a compositional analysis is less than 11% [mol percent]. The change is supported by research published by Phillip L. Moses in the Journal of Petroleum Technology July 1986 *Engineering Applications of Phase Behavior of Crude Oil and Condensate Systems* and William D. McCain, Jr. in the *Properties of Petroleum Fluids Second Edition* © 1990." Although not part of the 2006 Commission Memo, research from Dr. Philip Moses (from 1986) and Dr. William D. McCain (from 1990 and 2011) indicate a heptane plus (C 7+) fraction of less than 11.5 mol percent will typically correlate to a Gas-Liquid Ratio (GLR) of about 3,000 to 3,300 cf/bbl as a differentiator between volatile oil and retrograde gas reservoir fluid types. Based on initial completion data from a well, permanent gas well classification has been granted for wells using the 2006 Commission Memo criteria with supporting documentation as outlined by Dr. McCain's and Dr. Moses' research.

The Final Order for Oil and Gas Docket Nos. 08-0295559 and 08-0303885, dated August 1, 2017, adopted special Field Rules for the Phantom (Wolfcamp) Field. Rule 5 of the Field Rules states that for any well in the Phantom (Wolfcamp) Field completed with a gas-oil ratio of 3,000 cubic feet per barrel and above, the operator may elect to have such well permanently classified as a gas well without the need for further administrative review, provided that the GOR was determined by a stabilized well test conducted within 180 days of well completion.

Based on the field rules adopted in the Final Order for Oil and Gas Docket Nos. 08-0295559 and 08-0303885, the Examiners assessed the well production data presented at the hearing. Upon review of the data presented at the hearing the Examiners conclude that of the 21 subject wells the 8 wells listed in Attachment A of this report meet the criteria for gas well classification.

At the hearing, MDC 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. MDC requests permanent reclassification of various oil wells in the Phantom (Wolfcamp) Field, Reeves 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. MDC requested a hearing in a letter sent to the Commission dated February 19, 2020.
4. On April 9, 2020 the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and offsetting operators in the field setting a hearing date of April 27, 2020. Consequently, the parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on April 27, 2020 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
5. The gas well classification criteria was established in the Commission's memorandum ("2006 Commission Memo"), dated August 3, 2006, titled "Change in administrative determination policy for gas well classification."
6. The consolidated Final Order in Oil and Gas Docket Nos. 08-0295559 and 08-0303885 dated August 1, 2017, adopted special Field Rules for the Phantom (Wolfcamp) Field, which includes Rule 5 that states, "for any well in the Phantom (Wolfcamp) Field completed with a gas-oil ratio of 3,000 cubic feet per barrel and above, the operator may elect to have such well permanently classified as a gas well without the need for further administrative review, provided that the GOR was determined by stabilized well test conducted within 180 days of well completion."
7. The April 9, 2020, Notice included 24 wells. At the hearing MDC withdrew application for 3 wells and presented production report of the first 180 days from the wells' inception for the remaining 21 wells.
8. Upon review of the evidence submitted for inclusion in the record, Examiners find that the 8 wells listed in Attachment A of this report meet the criteria for gas well classification based on the field rules adopted in the Final Order for Oil and Gas Docket Nos. 08-0295559 and 08-0303885. The Examiner's find that the reaming 13 wells in this application do not meet the criteria for gas well classification and the applicant concurs.
9. MDC 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 wells listed in Attachment A of this report, in the Phantom (Wolfcamp) Field, Reeves County, Texas, to gas wells, as requested by MDC Texas Operator LLC.

Respectfully submitted,

DocuSigned by:

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Petar Buva
Technical Examiner

DocuSigned by:

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Ezra A. Johnson
Administrative Law Judge

Attachment A

Lease Name	Lease No. (Dist. 08)	Well No.
American Pharoah 17	47777	2H
War Admiral 24	50326	5H
Smarty Jones 26	50442	7H
Pickpocket 21	50447	4H
Big Brown 15	52617	1H
California Chrome 27	50674	4H
California Chrome 27	50674	5H
California Chrome 27	50674	6H