

OIL AND GAS DOCKET NO. 08-0231664

THE APPLICATION OF EXXON MOBIL CORPORATION TO BALANCE THE BLOCK 16 (DEVONIAN) FIELD; WARD COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: June 11, 2002

Hearing held: July 12, 2002

Appearances

	Representing
Tim George	Exxon Mobil Corporation
William T. Duncan	
Stephen Siegfried	Mosbacher Energy Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Exxon Mobil is seeking to have all overproduction and underproduction canceled for prorated wells in the Block 16 (Devonian). This procedure is also known as balancing the field. A representative of Mosbacher Energy Company appeared at the hearing as an observer.

DISCUSSION OF THE EVIDENCE

The Block 16 (Devonian) Field is prorated, with allowables based on acreage. There are six operators in the field, with 14 wells that produce about 300 MMCF per month. According to the field rules, the density is 640 acres per well, with 160-acre optional units, and all but two of Exxon Mobil's wells have 640 acres or more assigned.

The field's allowables began to decrease in September 2001 and by October, the field's status began to be overproduced. The field as a whole has remained overproduced and the current status is about 350 MMCF of gas overproduction. Not until May, 2002, have the assigned allowables finally risen to the approximate level of a month's average production. According to Exxon Mobil, the allowables did not reflect the market demand that is shown by actual production, until May 2002.

The A-sheet for June 2002, has a remark indicating that the forecast correction adjustment is abnormally large due to a delinquent production report and to Exxon Mobil's voluntary curtailment of one well's production to make up overage. The adjustment was reported to be 42,513 MCF. BP is the operator with the delinquent production report. Its Cooper "43" Well No. 2U has produced at least six months without an allowable. Its overproduction is more than 300 MMCF but this amount has not

yet been added to the field's total status. When this is added in, Exxon Mobil believes that it will complicate the field's allowables even more.

Exxon provided monthly data from two example wells to demonstrate the origins of their overproduction status. The production and allowable of the Pyote Gas Unit 2 No. 2 tracked closely prior to June, 2001. Beginning in June, 2001, its production exceeded its allowable and did so every month through April of 2002. During that time, its producing rate decreased slowly from 45 MMCF to 40 MMCF. Finally in May, 2002, the well's allowable increased and the well underproduced for that month, though its status is still 65 MMCF overproduced.

Production from the Dobbins No. 1U decreased through 2001 until the well died in November. Its monthly assigned allowable decreased through 2001, though not as rapidly as the production did. The well accumulated underproduction until February 2002 when all the underproduction was canceled and a zero allowable assigned. That was the same month that Exxon Mobil restored production. Although allowable was assigned beginning in March 2002, the allowables again trailed production and the well acquired 12,265 MCF of overproduction in only three months.

At the time of the hearing, Exxon Mobil had acquired waivers from all operators in the field and all but one of the purchasers. A waiver was subsequently received from Oneok Energy Marketing & Trading, the purchaser of Exxon Mobil's gas.

FINDINGS OF FACT

1. Notice of hearing was issued on June 28, 2002, to the current operators of wells in the field and to current gatherers.
2. There are six operators in the field, with 14 wells that produce about 300 MMCF per month.
3. The allowables did not reflect the market demand that is shown by actual production, between September 2001 and May 2002.
 - a. The field's allowables began to decrease in September 2001 and by October, the field's status began to be overproduced.
 - b. The field as a whole has remained overproduced and the current status is about 350 MMCF of gas overproduction.
 - c. In May, 2002, the assigned allowables finally rose to the approximate level of a month's average production.
4. According to the A-sheet for June 2002, the forecast correction adjustment of 42,513 MCF is abnormally large.
 - a. One reason is that Exxon Mobil has voluntary curtailed one well's production to make

up overage.

- b. The other reason is that BP's Cooper "43" Well No. 2U has produced more than 3000 MMCF during six months without an allowable.
5. Waivers were received from all operators and all gatherers in the field.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely given to all persons legally entitled to notice.
2. All things have occurred and have been done to give the Commission jurisdiction to decide this matter.
3. The Commission has authority to balance (cancel overproduction and underproduction) from gas wells in a field. Tex. Nat. Res. Code Chapter 86.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Block 16 (Devonian) be balanced, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: August 6, 2002