

November 28, 2000

OIL AND GAS DOCKET NO. 06-0226580

THE APPLICATION OF VERNON E. FAULCONER TO SUSPEND THE ALLOCATION FORMULA FOR THE DOUGLASS, WEST (PETTIT UPPER) FIELD, NACOGDOCHES COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: November 1, 2000

Hearing held: November 27, 2000

Appearances

Barry Hagemann

Representing

Vernon E. Faulconer

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Vernon E. Faulconer is seeking to have the allocation formula for the Douglass, West (Pettit Upper) Field suspended. Forms AOF-2 were not received from every operator in the field, though the application is unopposed.

DISCUSSION OF THE EVIDENCE

The Douglass, West (Pettit Upper) Field was discovered in 1971 and has five wells, each with a different operator. Cape Operating, Inc., and Energy Development Corp. each operate a well with a deliverability less than 100 MCF per day and each returned a Form AOF-2 indicating 100% market for this gas. Now Development is the operator of one inactive well on the proration schedule which indicates the well to be partially plugged. Now Development signed a Form AOF-2 indication that it would have a market for any gas produced from this well. The fourth operator, Eastex Operating, Inc., did not sign a Form AOF-2 to indicate 100% market for its Jewell M. Graham et al Lease Well No. 1.

The current deliverability of Eastex's well is 24 MCF per day, based on the proration schedule. A Form P-4 inquiry made just before the hearing indicates that the Eastex well is sealed and non-producing, but not the reason for the seal.

Faulconer's Crossman "A" Lease Well No. 1's deliverability was indicated to the Commission to be 100 MCF per day on a G-10 test conducted June 20, 1999. During March, 2000, Faulconer reworked the well, increasing its deliverability, but the well was not retested until August 29, 2000. The G-10 rate reported for August 29, 2000, was 146 MCF per day. September 1, 2000, the well was retested again, and this time the deliverability was 193 MCF/D.

The Crossman "A" Well No. 1 averaged 170 MCF per day from April 1 through August 31, 2000. It accumulated 12,584 MCF of overproduction by the September 1, 2000, balancing date. All gas produced from this field is gathered by Desoto Pipeline Company, Inc., and purchased by Four Square Gas Company, Inc. The other active wells in this field receive administrative special allowables because

of their low deliverabilities and are not in competition with the Crossman "A" Well No. 1. Cancellation of this well's overproduction will not harm the correlative rights of any other well.

FINDINGS OF FACT

1. Notice of at least ten (10) days was given to all operators in the field and no one appeared at the hearing in protest.
2. Vernon E. Faulconer has filed Forms AOF-1 and AOF-2 indicating that it has a market for 100% of the gas that can be produced from its Crossman "A" Lease Well No. 1.
3. Cape Operating, Inc., and Energy Development Corp. each operate a well with a deliverability less than 100 MCF per day and each returned a Form AOF-2 indicating 100% market for this gas.
4. Now Development, who also signed Form AOF-2, is the operator of an inactive well on the proration schedule of the Douglass, West (Pettit Upper) Field.
5. Eastex Operating, Inc. did not sign a Form AOF-2 to indicate that it has a market for all of the gas its well in this field can produce.
6. Eastex's Jewell M. Graham et al Lease Well No. 1 has a deliverability of 24 MCF/D and would be entitled to an administrative special allowable if it were producing.
7. There is a market for 100% of the gas produced by wells in the Douglass, West (Pettit Upper) Field.
 - a. All the operators of currently active wells signed Forms AOF-2 indicating a market for all of the gas their wells can produce.
 - b. There is only one gatherer and one purchaser of gas in this field and they are required to take ratably from all of the wells.
 - c. The well operated by the only operator in the field who did not indicate 100% market has a deliverability less than 100 MCF per day and would not be prorated if it were on production.
8. Vernon E. Faulconer reworked its Crossman "A" Well No. 1 in March, 2000, and increased production from less than 100 MCF per day to about 190 MCF per day, but did not retest the well until September 1, 2000.
9. The Crossman "A" No. 1 is the only prorated well in the field and it has accumulated 12,584 MCF of overproduction since it was reworked.
10. Cancellation of the overproduction for the Crossman "A" No. 1 will not harm the correlative rights of any other well in the field.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the allocation formula in the Douglass, West (Pettit Upper) Field be suspended, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: December 20, 2000

Exhibits

1. Proration schedule for Douglass, West (Pettit Upper) Field
2. Gas ledger for Douglass, West (Pettit Upper) Field
3. P-4 inquiry for Douglass, West (Pettit Upper) Field
4. Forms AOF-1 and 2 from operators in Douglass, West (Pettit Upper) Field