



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0278561

THE APPLICATION OF PARALLEL ENERGY, L.P. TO CONSIDER THE CANCELLATION OF OVERPRODUCTION FOR VARIOUS WELLS IN THE PANHANDLE, WEST FIELD, HUTCHINSON, MOORE AND CARSON COUNTIES, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Marshall F. Enquist- Legal Examiner

DATE OF HEARING: November 26, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

John Soule
Cary MacGregor

Parallel Energy, L.P.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Parallel Energy, L.P. ("Parallel") requests that all overproduction for various wells in the Panhandle, West Field be canceled. The wells are listed below:

| <u>WELL NAME</u> | <u>LEASE ID</u> |
|--------------------------------------|------------------------|
| Bost Lease, Well No. 1009 | 024488 |
| Brown Lease, Well No. 1036A | 132844 |
| Burnett Lease, Well No. 1060A | 136047 |
| Burnett, Estate Lease, Well No. 1051 | 024495 |
| Burnett, Estate Lease, Well No. 1081 | 024499 |
| Sanford Lease, Well No. 1013 | 024529 |
| Sneed Lease, Well No. 1050 | 024550 |
| State -CR- Lease, Well No. 503-B | 147507 |
| Weymouth MS Lease, Well No. 2007 | 024441 |
| Weymouth MS Lease, Well No. 1001 | 024440 |

The application is unopposed and the examiners recommend cancellation of the overproduction.

DISCUSSION OF EVIDENCE

The Panhandle, West Field was discovered in February 1933 at an average depth of 4,164 feet. The field is classified as non-associated-prorated and there are 2,431 producing gas wells and approximately 148 operators carried on the proration schedule. Parallel operates approximately 234 wells in the field. For November 2012, the total reservoir capability is 4.2 BCFG with a total reservoir market demand of 3.9 BCFG. Most of the wells in the field produce at rates below 100 MCFGPD.

Due to a failure, by the Commission, to enter the filed G-10 tests into the Commission's database, ten of Parallel's wells are over-produced by a total of approximately 176.4 MMCFG. G-10 reports filed by Bravo Natural Gas, LLC, the operator at the time, were submitted to the Commission and date stamped as received on June 28 2011. The reports were not entered into the database therefore wells operated by Bravo were given a 1.0 psi shut in wellhead pressure (SIWP) as a default. The allowable assigned to wells in this field is based on 67% acres x SIWP. Because a low 1.0 SIWP was assigned to all wells operated by Bravo at the time, the wells were assigned low allowables and were over produced. Actual SIWP for the subject wells ranged from 5.2 psi to 9.8 psi. The ten wells are shown below:

| <u>WELL NAME</u> | <u>OVER PRODUCTION (MMCFG)</u> |
|--------------------------------------|--|
| Bost Lease, Well No. 1009 | 7.8 |
| Brown Lease, Well No. 1036A | 0.0 |
| Burnett Lease, Well No. 1060A | 24.6 |
| Burnett, Estate Lease, Well No. 1051 | 21.3 |
| Burnett, Estate Lease, Well No. 1081 | 45.1 |
| Sanford Lease, Well No. 1013 | 21.4 |
| Sneed Lease, Well No. 1050 | 17.4 |
| State -CR- Lease, Well No. 503-B | 11.2 |
| Weymouth MS Lease, Well No. 2007 | 27.6 |
| Weymouth MS Lease, Well No. 1001 | <u>0.0</u> |
| | 176.4 |

Parallel requests that all of the over-production for the ten subject wells be canceled. Additionally, Parallel requests that all wells that received the 1.0 SWIP default value that have any overproduction be cancelled. Parallel is concerned proper notice was not given to operators in the field as the discovery of the additional wells was not made until after

notice was mailed out. Because the data entry error was not made by Bravo or Parallel, the examiners believe the Commission should correct the error and cancel any over production of the affected Parallel wells. Notice to other operators in the field of the additional wells is not needed, in the examiners opinion, as the Commission is correcting an error caused by the Commission and operators should not need the ability to protest the Commission duty to rectify the over production. Parallel submitted a letter from their marketing department stating that there was a 100% market demand for all of the gas produced from the field by Parallel.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the Panhandle, West Field at least ten days prior to the date of hearing.
2. The Panhandle, West Field was discovered in February 1933 at an average depth of 4,164 feet.
 - a. The field is classified as non-associated-prorated and there are 2,431 producing gas wells and approximately 148 operators carried on the proration schedule.
 - b. Parallel operates approximately 234 wells in the field.
 - c. For August 2011, the total reservoir capability is 4.2 BCFG with a total reservoir market demand of 3.9 BCFG.
 - d. Most of the wells in the field produce at rates below 100 MCFGPD.
3. Due to a failure to enter the filed G-10 tests into the Commission database, ten of Parallel's wells are over-produced by a total of approximately 176.4 MMCFG.
 - a. The allowable assigned to wells in this field is based on 67% acres x SIWP.
 - b. G-10 reports filed by Bravo Natural Gas, LLC, the operator at the time, were submitted to the Commission and date stamped as received by the Commission on June 28 2011.
 - c. The reports were not entered into the database therefore wells operated by Bravo were given a 1.0 psi shut in wellhead pressure (SIWP) as a default.
 - d. Because a low 1.0 SWIP was assigned to all wells operated by Bravo

at the time, the wells were assigned low allowables and are now over produced.

- e. Actual SIWP for the subject wells ranged from 5.2 psi to 9.8 psi.
- 4. Additional wells were affected by the 1.0 SIWP default setting and are now over produced.
- 5. Cancelling over production for all wells affected by the Commission's failure to enter G-10 tests will rectify Parallel's over production issues.
- 6. There is a 100% market demand for all of the gas produced from the field by Parallel.

CONCLUSIONS OF LAW

- 1. Notice of this hearing was given as specified in the provisions of all regulatory codes.
- 2. All things have occurred or been accomplished to give the Commission jurisdiction in this matter.
- 3. Cancellation of the overproduction for all affected wells in the Panhandle, West Field will not harm correlative rights and will not cause waste.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission cancel the overproduction for all affected wells in the Panhandle, West Field, as requested by Parallel Energy, L.P.



Andres J. Trevino, P.E.
Technical Examiner

Respectfully submitted,



Marshall F. Enquist
Legal Examiner