



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 06-0290214**

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**THE APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE HALLSVILLE, E. (PETTIT) FIELD, HARRISON COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 06-0290215**

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**THE APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE L.C.G. (PAGE) FIELD, HARRISON COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 06-0290487**

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**THE APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE BLOCKER (TRAVIS PEAK) FIELD, HARRISON COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 06-0290488**

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**THE APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE BLOCKER (PAGE) FIELD, HARRISON COUNTY, TEXAS**

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**OIL AND GAS DOCKET NO. 06-0290489**

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**THE APPLICATION OF BP AMERICA PRODUCTION COMPANY FOR AN EXCEPTION TO 16 TEX. ADMIN. CODE §3.28 TO SEMI-ANNUAL G-10 WELL TEST FOR GAS WELLS IN THE BLOCKER (COTTON VALLEY) FIELD, HARRISON COUNTY, TEXAS**

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**HEARD BY:** Brian Fancher, P.G. – Technical Examiner  
Michael Crnich – Legal Examiner

**REVIEWED BY:** Laura Miles-Valdez – Legal Examiner

**HEARING DATE:** August 20, 2014  
**RECORD CLOSED:** November 13, 2014  
**SUBMISSION DATE:** December 13, 2014  
**CONFERENCE DATE:** January 27, 2015

**APPEARANCES:****REPRESENTING:****APPLICANT:**

Michael Choate  
Keith Masters

BP America Production, Co.

**EXAMINERS' REPORT AND RECOMMENDATION****STATEMENT OF THE CASE**

The Hallsville, E. (Pettit), Blocker (Travis Peak) Field, and Blocker (Cotton Valley) Fields are all classified as non-associated fields. The L.C.G. (Page) and Blocker (Page) Fields are classified as associated-prorated. In other words, non-associated fields contain only gas wells and associate-prorated fields contain both oil and gas wells. BP America Production Co. ("BP") seeks exceptions to 16 Tex. Admin. Code §3.28(b) ("Statewide Rule 28(b)"), which requires semi-annual G-10 deliverability tests for all gas wells in a non-associated gas field after the respective gas well's initial G-10 deliverability test has been performed. Specifically, BP requests that the requisite G-10 deliverability tests be arrested while the Field's allocation formula is suspended (*i.e.*, Absolute Open Flow, or AOF status). Furthermore, if the Field's allocation formula is reinstated, then BP requests that the G-10 deliverability test requirement be annual as opposed to semi-annual.

The subject application is unopposed. BP was the sole party at the hearing, where evidence was presented through direct testimony of its expert witness, along with written exhibits, were entered into the record. After full consideration of the record evidence, the examiners recommend that the relief sought by BP in the instant case be granted.

### DISCUSSION OF THE EVIDENCE

Mr. Keith Masters, a consulting engineer, testified on behalf of BP as an expert in petroleum engineering.

Titled “Potential and Deliverability of Gas Wells To Be Ascertained and Reported,” Statewide Rule 28 (“SWR 28”) generally states that certain information must be submitted to determine the absolute daily open flow potential (*i.e.*, deliverability) of each producing gas well (associated and nonassociated) after initial completion. After the well’s initial deliverability test has been conducted, the well is required to follow a particular G-10 testing schedule. However, certain exceptions are available. For instance, SWR 28(c) states:

Unless applicable special field rules provide otherwise or the director of the oil and gas division or the director’s delegate authorizes an alternate procedure due to a well’s producing characteristics, deliverability shall be performed as follows.

[...]

Exceptions and extensions to the timing requirements for deliverability tests and shut-in wellhead pressure tests may be granted by the Commission for *good cause* (emphasis added).

In the immediate cases, BP requests the following relief: (1) Suspension of the G-10 deliverability testing requirement for all gas wells while the Field remains classified as AOF status; and (2) if the Field’s allocation formula reinstated (*i.e.*, rescission of the AOF status), then the Field’s deliverability testing schedule is lessened from semi-annual to annual and performed October to December.

In general, an allocation formula is designed to prevent waste and protect correlative rights by fairly distributing the available market for production from the reservoir.<sup>1</sup> The subject fields are a mixture of non-associated and associated fields, and each field’s allocation formula is suspended with regard to gas production. Thus, rendering the subject fields as AOF status (all associated fields are required to produce oil according to their respective field’s top oil allowable). In other words, the Commission has determined at a prior date that there is a 100% market demand for all gas produced from the subject fields; therefore, all gas wells in each field have been authorized to produce as much hydrocarbon gas as each well is capable of delivering to market.

BP submitted an excerpt of the Commission’s publication titled, “Permitting & Production Services Filing Procedures Manual” (the “Manual”). Mr. Masters testified that the Manual provides guidance on how the Commission determines a gas well’s capability (*i.e.*, deliverability), which is done by taking the less of either the well’s most recent G-10 deliverability test or its highest production within the last 3 month period. Mr. Masters testified that when a Commission-designated field is classified as AOF status the G-10 deliverability test

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<sup>1</sup> Commission’s *Discussions of Law, Practice, and Procedure., Part I, Subsection F.*

is unnecessary because each gas well is essentially producing its deliverability each month. In other words, if a field is designated as AOF status then the G-10 deliverability test is not needed because it is assumed that each gas well is producing its full capacity of gas each month (*i.e.* its deliverability).

BP requests that the G-10 testing schedule for gas wells in the subject fields be changed from semi-annual to annual upon reinstatement of the Field's allocation formula. BP submitted copies of prior Commission Final Orders involving the subject fields where similar exception to the semi-annual requirement has been granted.<sup>1</sup> In Oil and Gas Final Order 06-0281776, each field was granted authority to perform G-10 deliverability tests annually, so long as the respective field is classified as AOF status. In the instant cases, BP believes it has shown good cause to grant its requested relief.

### **FINDINGS OF FACT**

1. BP America Production Co. ("BP") seeks exception for the Hallsville, E. (Pettit), Blocker (Travis Peak) Field, L.C.G. (Page), Blocker (Page) and Blocker (Cotton Valley) Fields (the "subject fields"), pursuant to Statewide Rule 28(b) [16 Tex. Admin. Code §3.28(b)]
2. All operators in the subject fields were provided notice of the subject applications.
3. BP requests that the requirements to perform G-10 deliverability tests on gas wells in the subject fields be removed while the subject fields' respective allocation formula is in suspension.
4. The subject fields' respective allocation formulas are in suspension.
5. Requiring G-10 deliverability tests is not necessary while the subject fields' allocation formulas are in suspension.
6. BP has shown good cause for its requested exceptions to Statewide Rule 28(b).
7. Approval of the applications is reasonable and appropriate, pursuant to Statewide Rule 28(b).

### **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. Legally sufficient notice has been provided to all affected persons.

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<sup>1</sup> Oil & Gas Final Order 06-0281776.

3. Exception for the Hallsville, E. (Pettit), Blocker (Travis Peak) Field, L.C.G. (Page), Blocker (Page) and Blocker (Cotton Valley) Fields, pursuant to Statewide Rule 28(b) [16 Tex. Admin. Code §3.28(b)] will prevent waste and protect correlative rights.

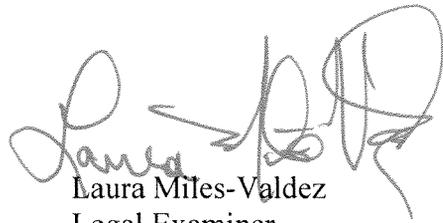
**EXAMINERS' RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend that the G-10 deliverability testing requirement be arrested while the subject fields' allocation formula are in suspension. If the allocation formulas are reinstated, then the subject fields' G-10 deliverability testing schedules should be conducted annually from October to December.

Respectfully submitted,



Brian Fancher, P.G.  
Technical Examiner



Laura Miles-Valdez  
Legal Examiner