



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 10-0295515

THE APPLICATION OF APACHE CORPORATION TO SUSPEND THE ALLOCATION FORMULA, OR ALTERNATIVELY BALANCE THE FIELD PRODUCTION FOR THE PERRY (MARMATON) FIELD, LIPSCOMB AND OCHILTREE COUNTIES, TEXAS

HEARD BY: Brian Fancher, P.G. – Technical Examiner
Terry Johnson – Legal Examiner

HEARING DATE: March 13, 2015
RECORD CLOSED: March 13, 2015
SUBMISSION DATE: April 15, 2015
CONFERENCE DATE: May 12, 2015

APPEARANCES:

REPRESENTING:

APPLICANT:

Bill Spencer

Apache Corporation

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Apache Corporation ("Apache") seeks to suspend the allocation formula, or alternatively balance the field production for the Perry (Marmaton) Field (the "Field"), pursuant to Statewide Rule 31(j) [16 Tex. Admin. Code §3.31]. Notice of the subject application was provided to all operators in the subject field, and the application is unopposed. The examiners recommend that the Field's allocation formula be suspended.

DISCUSSION OF THE EVIDENCE

Titled "Suspension of Allocation Formula", Statewide Rule 31(j)(1) provides as follows:

The commission or a commission designee may administratively suspend the allocation formula for a particular gas field if: (A) each operator from

that field has a market, for 100% deliverability, as determined by the deliverability tests on file with the commission, for its respective wells; and (B) all operators in the field consent to suspension of the formula.

The immediate case centers on the Field's existing allocation formula, and whether or not there is a 100% market demand for all natural gas produced from the Field. If so, the result would entail suspending the Field's allocation formula, and classifying the Field as Absolute Open Flow ("AOF") which effectively allows each well completed in the Field to sell as much as it is capable of producing.

The Field was discovered in November 1995, and is designated as an associated-prorated field. In other words, both oil and gas wells exist in the field. The Field's allocation formula has been in effect since December 2004.

Statewide Rule 31(j)(2) states:

Suspension of the allocation formula may be initiated by the commission or a commission designee, or by one of the operators in the field...The allocation formula may be administratively suspended if the applicant provides the commission with a declaration, subject to the false filing penalties provided for in the Nat. Res. Code §91.143, from all operators in the field stating that they have a market for 100% of the deliverability of their wells...

Apache requests that the allocation formula for the Field be suspended. The Field is currently composed of four operators with wells on schedule (*i.e.*, listed on the February 2015 Proration Schedule).

Apache submitted a copy of the Commission Form AOF-2 (Individual Application for AOF Status) submitted to the Commission by Chesapeake Operating, Inc. on March 6, 2015 for the subject field. As a result of not receiving a Form AOF-2 from all operators in the Field, Apache requested a hearing on the captioned docket on February 11, 2015. Apache's representative testified that all active operators in the Field were noticed of the subject application, and were included on the respective Service List for the Notice of Hearing dated February 18, 2015.

Apache's representative testified that there is a 100% market demand for all gas produced from the subject field. Accordingly, the Field's allocation formula should be suspended, and all production set at 100% AOF. Furthermore, the Examiners find that suspension of the allocation formula will balance the field's production status to zero, and provide for a 100% capacity allowable¹.

¹ See Statewide Rule 31(j)(5).

FINDINGS OF FACT

1. Apache Corporation (“Apache”) seeks to suspend the allocation formula for the Perry (Marmaton) Field (the “Field”), pursuant to Statewide Rule 31(j) [16 Tex. Admin. Code §3.31] (“the subject application”).
2. All active operators in the Field were provided notice of the subject application.
3. Apache requests that the allocation formula be suspended in the Field because there is a 100% market demand for all gas production from the Field.
4. The Field was discovered in November 1995, and is designated as an associated-prorated field
5. The Commission’s February 2015 Proration Schedule lists four operators in the Field.
6. The subject application is unopposed.
7. Suspension of the Field’s allocation formula is appropriate.

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.
3. Suspension of the allocation formula for the Perry (Marmaton) Field Field, as proposed by Apache Corporation 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 allocation formula for the Perry (Marmaton) Field Field be suspended.

Respectfully submitted,



Brian Fancher, P.G.
Technical Examiner



Terry Johnson
Legal Examiner