



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0306079

THE APPLICATION OF SHELL WESTERN E&P FOR AN EXCEPTION TO STATEWIDE RULE 10 TO DOWNHOLE COMMINGLE IN THE PHANTOM (WOLFCAMP) FIELD AND THE TWO GEORGES (BONE SPRING) FIELD, CULBERSON, LOVING, REEVES, PECOS, STERLING, WARD AND WINKLER COUNTIES, TEXAS

HEARD BY: Richard Eyster, P.G., Technical Examiner
Ryan Lammert, Administrative Law Judge

HEARING DATE: November 1, 2017

APPEARANCES:

Brian Sullivan, Attorney at Law
Gina Gonzalez,
Zhen Li,

REPRESENTING:

Shell Western E&P

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF CASE

Shell Western E&P (Shell) seeks a blanket exception to Statewide Rule 10 (16 Tex. Admin. Code § 3.10) allowing operators to commingle hydrocarbon production from any well in the Phantom (Wolfcamp) and Two Georges (Bone Spring) fields in Culberson, Loving, Reeves, Pecos, Sterling, Ward, and Winkler Counties, Texas. The application was not protested. The Technical Examiner and the Administrative Law Judge (collectively the "Examiners") recommend Shell's application be granted.

DISCUSSION OF THE EVIDENCE

Statewide Rule 10(a) provides a general prohibition against the production of

hydrocarbons from different strata (*i.e.*, different commission-designated fields) through the same string of tubulars. Statewide Rule 10(b) provides for exceptions to the general prohibition if commingled production will prevent waste or promote conservation or protect correlative rights. Shell is an operator of wells in the two subject fields. Shell anticipates commingling production from wells in the future. Therefore, Shell seeks a blanket exception to ease the administrative burden on operators and Commission staff.

The Phantom (Wolfcamp) and the Two Georges have overlapping field rules that cover the Third Bone Spring target in the Two Georges and the Alpha and Beta targets in the Wolfcamp.¹ Shell is producing from four wells that previously received a Rule 10 exception for portions of the well laterals that crossed the Two Georges and Phantom (Wolfcamp) formation boundary.² The previous exceptions have allowed Shell to recover additional reserves.

Shell anticipates continued efficient development of the fields with more wells in the future. Shell asserts that the commingling will not result in waste or harm. Without commingling, Shell cannot recover additional reserves from the Two Georges under existing economic constraints, which results in waste from hydrocarbons remaining in the ground. Further, Shell conducted a water analysis of the three different targets.³ Based on the analysis, there is minimal risk of scaling from precipitation of Barite (BaSO₄). Generally, scaling requires Barium levels to exceed 50ppm. All three targets have Barium concentrations below 10ppm. Therefore, commingling the Phantom (Wolfcamp) targets and the Two Georges Bone Spring target will not result in precipitation issues for Shell, water pipelines, or SWD facilities.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Phantom (Wolfcamp) and Two Georges (Third Bone Spring) field rules overlap.
3. Shell has four wells that already have Rule 10 exceptions in the same fields to commingle downhole in order to recover additional reserves.
4. The water composition in the different targets is compatible and will not result in harm or waste of hydrocarbon resources.
5. Without commingling, waste would occur.

¹ Shell Exh. No. 4.

² Shell Exh. No. 7-10.

³ Shell Exh. No. 18.

CONCLUSIONS OF LAW

1. Notice of this hearing was given as specified in the provisions of all regulatory codes. 16 Tex. Admin. Code § 3.10(c).
2. All things have occurred or been accomplished to give the Commission jurisdiction in this matter. Tex. Nat. Res. Code § 81.051.
3. The subject application will prevent waste and protect correlative rights. 16 Tex. Admin. Code § 3.10(b).

RECOMMENDATION

Based on the above finds of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Shell for a blanket exception to downhole commingling production from the Phantom (Wolfcamp) and Two Georges fields in in Culberson, Loving, Reeves, Pecos, Sterling, Ward, and Winkler Counties, Texas.

Respectfully submitted,


Richard Eyster, P.G.
Technical Examiner


Ryan Lammert
Administrative Law Judge