



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0323183

APPLICATION OF DE3 OPERATING LLC (518310) FOR AN EXCEPTION TO STATEWIDE RULE 10 TO DOWNHOLE COMMINGLE FOR THE SHADY OAKS LEASE, WELL NO. 1, SPRABERRY (TREND AREA) FIELD, BETTY SUE (STRAWN) FIELD, PETTY 48 (UPPER STRAWN) FIELD, PAUL PAGE (ATOKA) FIELD, AND CEDAR FLATS (MISS) FIELD, MIDLAND COUNTY, TEXAS

HEARD BY: John Moore -Technical Examiner
Charles Zhang -Administrative Law Judge

HEARING DATE: November 21, 2019
CONFERENCE DATE: December 17, 2019

APPEARANCES: **REPRESENTING:**

APPLICANT: DE3 Operating LLC

Mark Hanna, Attorney
Patrick Fuqua, Sr. Landman

EXAMINERS' REPORT AND RECOMMENDATION

DE3 Operating LLC ("DE3") requests an exception to Statewide Rule 10 for the Shady Oaks Lease, Well No. 1, (the "Well") to downhole commingle the Spraberry (Trend Area) Field, the Betty Sue (Strawn) Field, the Petty 48 (Upper Strawn) Field, the Paul Page (Atoka) Field, and the Cedar Flats (Miss) Field in Midland County, Texas.

In Oil and Gas Docket No. 7C-0274132, the Railroad Commission of Texas (the "Commission") authorized 229 fields to downhole commingle any well completed in the Spraberry (Trend Area) Field with any combination of the authorized 229 fields. All of the fields identified in DE3's request are included in the authorized Rule 10 exception field list contained in Oil and Gas Docket No. 7C-0274132.

Not all working interests in the Well are identical in all zones to be commingled, therefore Commission staff declined to administratively process DE3's commingling application. The only party with an interest that differs between zones, other than DE3, is WTG Exploration, Inc. ("WTG"). WTG has executed a production sharing agreement to provide a method for allocating production to its varying interests. WTG has also signed a letter waiving any objection to or requirement for a hearing on DE3's application.

Notice of the application was provided to all persons described in Statewide Rule 10(c)(2)(C) for the subject application. The application is unopposed, and the Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the application.

FINDINGS OF FACT

1. DE3 requests an exception to Statewide Rule 10 for the Well to downhole commingle the Spraberry (Trend Area) Field, the Betty Sue (Strawn) Field, the Petty 48 (Upper Strawn) Field, the Paul Page (Atoka) Field, and the Cedar Flats (Miss) Field in Midland County, Texas.
2. On October 29, 2019 the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and all persons described in Statewide Rule 10(c)(2)(C) for the subject application setting a hearing date of November 21, 2019. Consequently, the parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on November 21, 2019 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
3. In Oil and Gas Docket No. 7C-0274132, the Commission authorized 229 fields to downhole commingle any well completed in the Spraberry (Trend Area) Field with any combination of the authorized 229 fields. All of the fields identified in DE3's request are included in the authorized Rule 10 exception field list contained in Oil and Gas Docket No. 7C-0274132.
4. Not all working interests in the Well are identical in all zones to be commingled, therefore Commission staff declined to administratively process DE3's commingling application. The only party with an interest that differs between zones, other than DE3, is WTG Exploration, Inc. ("WTG"). WTG has executed a production sharing agreement to provide a method for allocating production to its varying interests. WTG has also signed a letter waiving any objection to or requirement for a hearing on DE3's application.

5. At the hearing, DE3 agreed on the record that the Final Order in this docketed case is to be final and effective when a Master Order relating to this Final Order is signed.

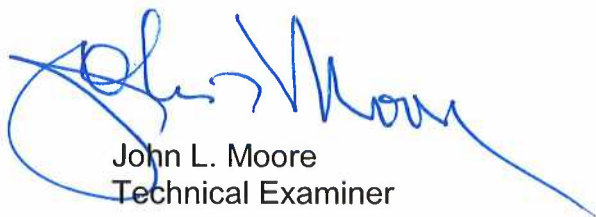
CONCLUSIONS OF LAW

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. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.42.
3. The proposed SWR 10 authority will reduce waste and promote orderly development of the commingled fields.
4. Pursuant to § 2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission approve DE3's to Statewide Rule 10 for the Shady Oaks Lease, Well No. 1, to downhole commingle the Spraberry (Trend Area) Field, the Betty Sue (Strawn) Field, the Petty 48 (Upper Strawn) Field, the Paul Page (Atoka) Field, and the Cedar Flats (Miss) Field in Midland County, Texas.

Respectfully submitted,



John L. Moore
Technical Examiner



Charles Zhang
Administrative Law Judge