

IDAHO OIL AND GAS CONSERVATION COMMISSION
May 29, 2019
Information Agenda

SUBJECT

Update on the ongoing Allocation Investigation for hydrocarbons from wells in Payette County operated by Alta Mesa Services. A glossary of capitalized terms follows this memo.

BACKGROUND

The wells produce two hydrocarbon streams generically referred to as gas and condensate. The two streams are processed into three marketable products: Residue Gas, Natural Gas Plant Liquids, and Plant Condensate. The volumes of these three products are then allocated back to each well completion.

In 2018, the Idaho Oil and Gas Conservation Commission (Commission) noted discrepancies in reported volumes for Residue Gas and Plant Condensate. Residue Gas is derived from Rich Gas. Rich Gas is transported from wellheads through the Little Willow Gathering Facility (Little Willow Facility), through the 11-mile long gas pipeline, and through the Northwest Gas Processing Highway 30 Plant (Highway 30 Plant). The Highway 30 Plant extracts Natural Gas Plant Liquids from Rich Gas. The remaining processed gas at the outlet of the Highway 30 Plant is Residue Gas. Plant Condensate is derived from Well Condensate. Well Condensate is transported from wellheads through the Little Willow Facility, through the 11-mile long condensate pipeline, and through the Highway 30 Plant. The remaining processed condensate at the outlet of the Highway 30 Plant is Plant Condensate.

Alta Mesa was informed of the discrepancies. They discovered a systematic error in an equation used in some steps of the allocation process. The error affected the volumes of Plant Condensate allocated to the gas and liquid streams leaving the Little Willow Facility and entering the Highway 30 Plant. Allocations of Natural Gas Plant Liquids were not affected by the error.

The error was a mismatched stream analysis reference within an equation.

- The incorrect reference applied the equivalent liquid volume percentage of each individual hydrocarbon component derived from each individual laboratory analysis.
- The correct reference applied the molecular percentage of each individual hydrocarbon component derived from each individual laboratory analysis.

Table 1 is a textbook example laboratory hydrocarbon analysis data table of chromatographic results using test method GPA 2186M. It lists the "Mole %" (molecular %) and the "Liq. Vol. %" (liquid volume percent) for 21 components. Highlighted in yellow are the Mole % and the Liq. Vol. % for methane. Note the difference in percentages for methane. Differences also occur for the other individual components.

<u>Components</u>	<u>Mole %</u>	<u>Weight %</u>	<u>Liq. Vol. %</u>
Carbon Dioxide.....	0.0853	0.1450	0.0687
Nitrogen.....	0.0281	0.0304	0.0146
Methane.....	64.2964	39.8359	51.4398
Ethane.....	14.4191	16.7445	18.1980
Propane.....	11.9911	20.4207	15.5901
iso-Butane.....	2.5568	5.7392	3.9483
n-Butane.....	3.8382	8.6156	5.7104
iso-Pentane.....	0.9367	2.6100	1.6166
n-Pentane.....	0.9036	2.5178	1.5457
Cyclopentane.....	0.0519	0.1405	0.0725
n-Hexane.....	0.2551	0.8490	0.4950
Cyclohexane.....	0.0463	0.1505	0.0743
Other Hexanes	0.2743	0.9130	0.5324
Heptanes.....	0.0865	0.3347	0.1883
Methylcyclohexane.....	0.0301	0.1141	0.0571
2,2,4-Trimethylpentane...	0.0951	0.4195	0.2332
Benzene.....	0.0247	0.0745	0.0326
Toluene.....	0.0104	0.0370	0.0164
Ethylbenzene.....	0.0007	0.0029	0.0013
Xylenes.....	0.0062	0.0254	0.0113
C8+ Heavies.....	0.0634	0.2797	0.1533
Totals	100.0000	100.0000	100.0000

GENERAL ALLOCATION METHOD

The individual well completions are allocated their shares of hydrocarbon products (Plant Condensate, Residue Gas, and Natural Gas Plant Liquids) produced by the Highway 30 Plant by a one-, two-, or three-step allocation method. The allocation methods differ in the number of steps because of various technical, operational, or financial constraints associated primarily with the location of each well in relation to the production process. Each individual step uses the component volumes derived from the laboratory analyses that are used to scale the contribution of each well completion to the total of each product.

- One Step Allocation. Only well completion DJS 1-15 uses a one-step allocation process. The fluid stream from DJS 1-15 undergo three-phase gravity separation and metering at the well pad. The two liquid hydrocarbon streams from DJS 1-15 go into the two separate pipelines that transport Well Condensate and Rich Gas from the Little Willow Facility to the Highway 30 Plant. Therefore, the Highway 30 Plant totals are allocated **to** DJS 1-15 in one step.
- Two Step Allocation. Seven well completions (Kauffman 1-9 LT (“lower tube”), Kauffman 1-9 UT (“upper tube”), ML 1-10, ML 1-11 UT, ML 1-11 LT, ML 2-10, and ML 3-10) use a two-step allocation process.
 - Step 1: Highway 30 Plant totals **to** Little Willow Facility totals;

- Step 2: Little Willow Facility totals (minus totals from the “multi wells” discussed below) **to** these individual well completions.
- Three Step Allocation. The three wells with partial federal mineral ownership (ML 1-3, ML 2-3, and Kauffman 1-34) use a three step allocation process.
 - Step 1: Highway 30 Plant totals **to** Little Willow Facility totals;
 - Step 2: Little Willow Facility totals **to** the “multi well” totals. For well completions K 1-34, ML 1-3, and ML 2-3, each well fluid stream undergoes three-phase gravity separation and metering for each well at each well pad, and not at the Little Willow Facility. Then, the three fluid streams (water, hydrocarbon liquids, and hydrocarbon gases) from the three wells (nine total fluid streams) are combined into one gathering line, which runs to the multi-well three-phase separator located at the Little Willow Facility. The multi-well separator creates three fluid streams (water, hydrocarbon liquids, and hydrocarbon gases), each individually metered.
 - Step 3: The multi-well hydrocarbon stream totals are allocated **to** individual well completions.

DISCUSSION

Attachment 1 (McFarland datasets) comprises several allocation datasets produced for Alta Mesa by contract petroleum engineer S. McFarland. The Oil and Gas Division received these datasets on April 1, 2019. The McFarland datasets contain the monthly results and yearly summations of the original (“old”) allocation method (2015-2018), the results of the corrected (“new”) allocation method (2016-2018), and the differences between the two methods (2016-2018).

Attachment 2 (IDL Review datasets) is a year-by-year summary of the McFarland datasets. It is color-coded for ease of review. The IDL Review datasets also include a summary of Plant Condensate volumes and Residue Gas volumes using both allocation methods (new and old), as well as the difference and percent difference between these methods.

The bottom of the IDL Review dataset includes the 2016-2018 grand totals of volumes for all well completions for Plant Condensate (new, old, difference) and for Residue Gas (new, old, difference). The grand totals of volumes for new versus old are equal. In addition, the IDL Review datasets suggest that the new corrected allocation has reasonable variances of plus or minus five percent by well completion as shown by the percent differences to the old allocation results. The exception is the Kauffman 1-9 LT, which shows a negative 28 percent difference in Plant Condensate. At this point in our investigation, the variances in percent differences, including Kauffman 1-9 LT, are presumed to be related to the allocation error summarized above.

GLOSSARY

Allocation is a term used to describe the system by which ownership of oil, gas, and produced water is determined and tracked from the point of production to a point of sale or discharge. Allocation is also known as hydrocarbon accounting, hydrocarbon value realization, product measurement and allocation, and production management and reporting. Although the principles of allocation are straightforward, the details are highly complex.

Natural Gas Plant Liquids means hydrocarbon compounds in Rich Gas that are extracted as liquids at processing plants, gas processing plants, gas plants, gasoline processing plants, fractionating plants, cryogenic plants, and cycling plants. Natural Gas Plant Liquids may include ethane, propane, the butanes, the pentanes, and hydrocarbon compounds of higher molecular weight. Hydrocarbon components may be fractionated and sold as an individual hydrocarbon (such as propane), or mixed together (referred to as Y-grade or raw mix) and sold, depending on the purchaser's sales agreement.

Plant Condensate is also referred to as stabilized condensate and means the processed liquid hydrocarbon product from a processing plant. The processing decreases the quantity of methane and ethane, which reduces the vapor pressure of the liquid, thereby preventing the production of vapor phase upon flashing the liquid, which ensures safe storage in atmospheric transportation and storage tanks.

Residue Gas is also referred to as tailgate gas, burner gas, or pipeline-quality natural gas and means 87.0 - 97.0 molecular percentage of methane that is merchantable and marketable, and meets an interstate or intrastate transmission company's minimum specifications per American Gas Association Bulletin No. 36.

Rich Gas means all hydrocarbon compounds and gaseous substances in a raw, unprocessed liquids-rich gas (minus formation water) that is gaseous at the conditions under which its volume is measured or estimated. Rich Gas is typically recovered from the wellhead or at the surface by use of a gravity separator or similar equipment. Rich Gas typically consists mostly of methane, ethane, propane, the butanes, and minor amounts of the pentanes plus hydrocarbon compounds of higher molecular weight.

Well Condensate means undifferentiated crude oil or condensate as a mixture of raw liquid hydrocarbon components, the majority of which range from pentanes and hydrocarbon compounds of higher molecular weight recovered after the wellhead by gravity separation or a similar process, and is liquid at the conditions under which its volume is measured or estimated. Well Condensate (also called lease condensate) can be derived directly after the wellhead with no separation (historically called casinghead gasoline). Well Condensate is typically unstable for truck transport and must be processed at a specialized facility to remove specific hydrocarbon compounds or various impurities; it is then referred to as Plant Condensate.

ATTACHMENTS

1. McFarland Allocation Datasets
2. IDL Review Datasets
3. PowerPoint – "Allocation Investigation"

NOTE: THIS SHEET USES A DIFFERENT ORDER OF WELLS, VERSUS ORIGINAL, AND ONLY SHOWS YEARLY SUMMARIES OF ORIGINAL (Hidden monthly columns)

EXPLANATION TO COLORS OF FONTS AND HIGHLIGHTS

Plant Condensate	Residue Gas	New Allocation Method	Original Allocation Method	Corrected Allocation Method
NGPL were not affected by the allocation error	diff	diff	diff	diff
2015 Total	2016 Total	2017 Total	2018 Total	2016-2018

Note: Variance in % Difference from Plant Condensate to Residue Gas is due to the allocation error (see Memo). Eg. Methane mole % = 10.3642 vs Liquid Volume % = 3.410.

Meter No.	Meter Name	Product	Allocation Method	2015 Total	2016 Total	2017 Total	2018 Total	2016-2018	2016 - 2018 Totals by Well Completion						
									Plant Condensate (BBU)		Residue Gas (MMBtu)				
									New (+/-)	Old (-)	New (+/-)	Old (-)			
FE-103C	ML 1-3 Condensate	Cond	Old	18,778	13,435	671	1	32,884							
		Cond	New	20,706	4,936	328	2	25,970							
		Gas	Old	9,274	8,498	(443)	3	8,228							
		Gas	New	10,085	21,898	1,168	5	33,152							
FE-103G	ML 1-3 Gas	Cond	Old	20,324	28,978	424	1	50,314							
		Cond	New	(112)	(13,771)	(781)	6	(14,664)							
		Gas	Old	19,531	18,794	592	7	38,907							
		Gas	New	7,933	(10,133)	(421)	3	(19,556)	71,791	76,285	(4,338)	-6%			
FE-134C	Kauffman 1-34 Condensate	Cond	Old	4,147	17,571	2,674	228	20,473							
		Cond	New	(510)	3,064	(265)	1	2,289							
		Gas	Old	15,426	3,942	179	4	19,547							
		Gas	New	15,550	11,356	604	5	27,510							
FE-134G	Kauffman 1-34 Gas	Cond	Old	204	6,832	4,177	337	11,345							
		Cond	New	(307)	(1,102)	(106)	9	(1,303)							
		Gas	Old	407,509	143,906	13,823	10	565,228							
		Gas	New	410,537	144,085	12,757	11	567,379	33,122	31,819	986	3%			
FE-203C	ML 2-3 Condensate	Cond	Old	6,054	3,522	587	1	10,163							
		Cond	New	6,442	1,498	237	2	8,177							
		Gas	Old	4,442	2,382	213	4	7,037							
		Gas	New	4,540	6,063	725	5	11,328							
FE-203G	ML 2-3 Gas	Cond	Old	5,309	4,082	981	1	10,071							
		Cond	New	5,620	6,204	1,172	4	12,997							
		Gas	Old	358,181	263,960	47,583	10	669,724							
		Gas	New	361,450	260,154	46,938	11	666,541	20,234	21,173	(658)	-3%			
FE-115C	DIS 1-15 Condensate	Cond	Old	-	1,228	903	1	2,130							
		Cond	New	-	1,228	501	2	1,729							
		Gas	Old	-	0	(401)	3	(401)							
		Gas	New	-	871	463	4	1,354							
FE-115G	DIS 1-15 Gas	Cond	Old	-	68,018	59,323	10	127,342							
		Cond	New	-	(67,147)	(58,840)	6	(125,987)							
		Gas	Old	-	690	501	7	1,192							
		Gas	New	-	690	903	8	1,593	3,322	3,322	0	0%			
FE-100AC	Kauffman 1-9 LT Oil	Cond	Old	-	-	-	-	-							
		Cond	New	-	-	-	-	-							
		Gas	Old	-	-	-	-	-							
		Gas	New	-	-	-	-	-							
FE-109AG	Kauffman 1-9 LT Gas	Cond	Old	1,627	-	-	-	1,627							
		Cond	New	-	-	-	-	-							
		Gas	Old	-	-	-	-	-							
		Gas	New	-	-	-	-	-							
FE-109BC	Kauffman 1-9 UT Condensate	Cond	Old	740	1,128	4,656	1	6,524							
		Cond	New	684	649	782	3,183	2	4,614						
		Gas	Old	91	346	1,473	3	1,930							
		Gas	New	145	588	1,009	4	1,742							
FE-109BG	Kauffman 1-9 UT Gas	Cond	Old	741	725	1,182	7	2,648							
		Cond	New	323	740	970	3,978	8	5,688	9,172	8,302	(484)	-6%		
		Gas	Old	67,976	64,964	113,509	10	246,449							
		Gas	New	50,940	67,695	64,433	112,097	11	244,225						
FE-110C	ML 1-10 Condensate	Cond	Old	314	-	-	-	314							
		Cond	New	314	-	-	-	314							
		Gas	Old	2,711	268	-	-	2,668							
		Gas	New	46	-	-	-	46							
FE-110G	ML 1-10 Gas	Cond	Old	1,930	349	-	-	349							
		Cond	New	334	-	-	-	334							
		Gas	Old	253,771	40,071	-	-	40,071							
		Gas	New	(73)	-	-	-	(73)	857	857	(5)	-1%			
FE-111AC	ML 1-11 UT Condensate	Cond	Old	12,804	8,807	7,033	1	28,645							
		Cond	New	3,907	11,979	6,114	4,645	2	22,738						
		Gas	Old	825	2,693	(2,389)	2	1,130							
		Gas	New	7,953	3,661	2,590	4	14,204							
FE-111AG	ML 1-11 UT Gas	Cond	Old	1,739	8,742	10,695	9,569	29,006							
		Cond	New	254	(3,024)	3,376	9	606							
		Gas	Old	828,451	721,620	559,782	10	2,109,853							
		Gas	New	256,638	826,742	716,022	54,359	2,097,143	51,506	51,744	1,735	3%			
FE-111BC	ML 1-11 LT Condensate	Cond	Old	11,559	4,140	1,180	1	16,879							
		Cond	New	4,431	10,016	2,741	805	13,562							
		Gas	Old	1,543	1,399	(374)	3	2,568							
		Gas	New	6,203	1,870	324	4	8,397							
FE-111BG	ML 1-11 LT Gas	Cond	Old	4,213	5,915	4,512	774	11,201							
		Cond	New	288	(2,642)	(451)	6	(2,804)							
		Gas	Old	6,027	3,198	534	7	9,759	26,637	24,849	1,443	6%			
		Gas	New	1,631	5,960	4,591	735	11,287							
FE-210C	ML 2-10 Condensate	Cond	Old	5,897	20,133	11,081	3,940	35,154							
		Cond	New	1,011	4,587	(1,906)	3	3,692							
		Gas	Old	11,830	7,773	4,449	4	24,052							
		Gas	New	9,738	11,594	15,397	6,138	35,119							
FE-210G	ML 2-10 Gas	Cond	Old	12,080	13,219	13,697	7	28,995							
		Cond	New	1,912	11,745	17,750	6,138	35,632	71,692	70,786	1,937	3%			
		Gas	Old	336	(4,531)	2,441	9	(1,755)							
		Gas	New	1,155,516	1,170,250	382,976	11	2,707,204							
FE-310C	ML 3-10 Condensate	Cond	Old	-	-	-	-	-							
		Cond	New	-	-	-	-	-							
		Gas	Old	-	-	-	-	-							
		Gas	New	-	-	-	-	-							
FE-310G	ML 3-10 Gas	Cond	Old	-	-	-	-	-							
		Cond	New	-	-	-	-	-							
		Gas	Old	-	-	-	-	-							
		Gas	New	-	-	-	-	-							
2015 Total		2016 Total		2017 Total		2018 Total		2016-2018 Totals All Wells of Plant Condensate (BBU)				2016-2018 Totals All Wells of Residue Gas (MMBtu)			
New		Old		New		Old		New	Old	Difference	New	Old	Difference		
313,357		313,357		0		0		11,304,665	11,304,665	(2)					
Total All Wells Residue Gas (MMBtu)		Total All Wells Plant Condensate (BBU)		Total All Wells Residue Gas (MMBtu)		Total All Wells Plant Condensate (BBU)									
New		Old		New		Old									
1,112,433		5,203,714		4,085,300		2,015,653									
diff		diff		diff		diff									
(2)		(2)		(2)		(2)									

Allocation (-) by Meter Name
Separator -> Well

Allocation (-) by Meter Name
Separator -> Well

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ALLOCATION INVESTIGATION



May 29, 2019

DAVE SCHWARZ

OIL & GAS FIELD INSPECTOR

IDAHO DEPARTMENT OF LANDS

ATTACHMENT 3

GENERAL BACKGROUND

Wells produce

2 hydrocarbon streams generically referred to as
gas & condensate

2 streams are processed into **3 marketable products:**

Residue Gas

Natural Gas Plant Liquids

Plant Condensate

Volumes of these 3 products are then **ALLOCATED**
back to each well completion

ALLOCATION : The system by which ownership of oil, gas, & produced water is determined & tracked from point of production to a point of sale or discharge

Although the principles of allocation are straightforward, the **details are highly complex**

*equivalent volume of source x
attributable to the inlet of tier K delivered
to sink y on the outlet of tier K :*

$$V_{x_{K-1} \rightarrow y_K} = \sum_{i=1}^I \frac{V_{x_{K-1},i}}{\sum_{x_{K-1}=1}^{X_{K-1}} V_{x_{K-1},i}} \cdot V_{y_K,i}$$

In 2018, OGCC noted discrepancies in reported volumes of Residue Gas & Plant Condensate

Residue Gas: derived from Rich Gas

Rich Gas: transported from wellheads thru Little Willow Gathering Facility, thru the 11 mile long gas pipeline, to Hwy 30 Plant

Hwy 30 Plant extracts *Natural Gas Plant Liquids* from *Rich Gas*, & delivers Residue Gas at outlet

Plant Condensate: derived from Well Condensate

Well Condensate: transported from wellheads thru Little Willow Facility, thru 11 mile long condensate pipeline, thru Hwy 30 Plant

Alta Mesa discovered a systematic error in an equation used in some steps of allocation process

- Eq. scales vols of Plant Condensate allocated to gas & liquid streams leaving Little Willow Facility & entering Hwy 30 Plant
- Allocations of Natural Gas Plant Liquids not affected by error

C3 bbl	lc4 bbl	Nc4 bbl	lc5 bbl	Nc5 bbl	C6 bbl
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2.10	20.00	-	-	-	-
0.12	2.10	-	-	-	-
-	-	-	-	-	-
0.30	3.17	17.15	29.20	42.40	-
0.02	0.44	2.90	12.90	17.91	-
0.02	0.21	-	-	-	-
0.00	0.00	-	-	-	-
1.24	11.84	-	-	-	-
0.04	0.60	-	-	-	-
4.83	47.61	-	-	-	-
0.31	6.37	-	-	-	-
8.99	92.65	514.84	966.43	1284.77	-

$$V_{x,m,i \rightarrow y,i} = \frac{V_{x,m,i}}{\sum_{x=1}^X \sum_{m=1}^M V_{x,m,i}} \cdot V_{y,i}$$

$$V_{i \rightarrow y} = \sum_{x=1}^X \sum_{m=1}^M \frac{V_{x,i}}{\sum_{x=1}^X V_{x,i}} \cdot V_{y,i} = V_{y,i}$$

bl xyl bbl	total bbls
-	-
-	-
-	-
2.85	910.83
265.66	2,136.85
-	-
0.32	170.85
57.24	490.58
0.03	16.58
0.01	0.54
1.76	738.22
174.20	1,237.96
1.79	1,692.73
528.84	4,701.21
0.02	1032.72
12.84	12096.36
461.89	-
63.84	-

$$V_{x,m \rightarrow y} = \sum_{i=1}^I \frac{V_{x,m,i}}{\sum_{x=1}^X \sum_{m=1}^M V_{x,m,i}} \cdot V_{y,i}$$

$$V_{x \rightarrow y} = \sum_{i=1}^I \frac{V_{x,i}}{\sum_{x=1}^X V_{x,i}} \cdot V_{y,i}$$

$$V_y = \sum_{i=1}^I V_{i \rightarrow y} = \sum_{x=1}^X \sum_{m=1}^M V_{x,m \rightarrow y}$$

Error = Mismatched Stream Analysis Reference of Components From Lab Analyses

Example Hydrocarbon Analysis

closeup next slide

Components	Mole %	Weight %	Liq. Vol. %
Carbon Dioxide.....	0.0853	0.1450	0.0687
Nitrogen.....	0.0281	0.0304	0.0146
Methane.....	64.2964	39.8359	51.4398
Ethane.....	14.4191	16.7445	18.1980
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iso-Pentane.....	0.9367	2.6100	1.6166
n-Pentane.....	0.9036	2.5178	1.5457
Cyclopentane.....	0.0519	0.1405	0.0725
n-Hexane.....	0.2551	0.8490	0.4950
Cyclohexane.....	0.0463	0.1505	0.0743
Other Hexanes	0.2743	0.9130	0.5324
Heptanes.....	0.0865	0.3347	0.1883
Methylcyclohexane.....	0.0301	0.1141	0.0571
2,2,4-Trimethylpentane...	0.0951	0.4195	0.2332
Benzene.....	0.0247	0.0745	0.0326
Toluene.....	0.0104	0.0370	0.0164
Ethylbenzene.....	0.0007	0.0029	0.0013
Xylenes.....	0.0062	0.0254	0.0113
C8+ Heavies.....	0.0634	0.2797	0.1533
Totals	100.0000	100.0000	100.0000

Error = Mismatched Stream Analysis Reference of Components From Lab Analyses

Incorrect Allocation: applied equiv. Liq. Vol. %

<u>Components</u>	<u>Mole %</u>	<u>Weight %</u>	<u>Liq. Vol. %</u>
Carbon Dioxide.....	0.0853	0.1450	0.0687
Nitrogen.....	0.0281	0.0304	0.0146
Methane.....	64.2964	39.8359	51.4398

Correct Allocation: applied Mole %

GENERAL ALLOCATION METHOD

Individual well completions are allocated their shares of products (Plant Cond, Residue Gas, & NGPL) produced by Hwy 30 Plant by a **1-, 2-, or 3-step allocation method**

Methods differ in # of steps because of technical, operational, or financial constraints assoc. with location of each well in relation to production process

Each step uses component volumes derived from lab analyses that are used to scale the contribution of each well completion to total of each product

One Step Allocation = DJS 1-15

Hwy 30 Plant totals are allocated **to** DJS 1-15 in a one-step process

Fluid stream from DJS 1-15 undergo 3-phase gravity separation & metering at the well pad

The 2 liquid hydrocarbon streams **do not** go to Little Willow

But directly into the 2 separate pipelines that transport Well Condensate & Rich Gas from Little Willow to Hwy 30 Plant

Two Step Allocation: Kauffman 1-9 LT, Kauffman 1-9 UT, ML 1-10, ML 1-11 UT, ML 1-11 LT, ML 2-10 & ML 3-10

Step 1: Hwy 30 Plant totals *to* Little Willow Facility totals

Step 2: Little Willow Facility totals (minus totals from the “multi wells” discussed next) *to* these individual well completions

3 Step Allocation. 3 wells with partial federal mineral ownership: **ML 1-3, ML 2-3, & Kauffman 1-34**

Step 1: Hwy 30 Plant totals *to* Little Willow Facility totals

Step 2: Little Willow totals *to* “multi well” totals. Each well fluid stream undergoes 3-phase grav. sep. & metering for each well at each well pad -- *not* at Little Willow Facility. Then, the 3 streams (water, HC liquids, & HC gases) from the 3 wells (9 total fluid streams) are combined into 1 gathering line, which runs to the Multi-Well (MW) 3-phase sep. located at Little Willow Facility. MW separator creates 3 fluid streams (water, HC liquids, & HC gases), each individually metered.

Step 3: The MW HC stream totals are allocated *to* individual well completions

Attachment 1 (“McFarland datasets”)

Allocation datasets produced for Alta Mesa by petroleum engineer S. McFarland. Received on Apr 1, 2019 by O & G Div

McFarland datasets contain:

Monthly results & yearly summations of:

- original (“old”) allocation method (2015-18)
- corrected (“new”) allocation method (2016-18)
- differences between the two methods (2016-18)

Attachment 2 (“IDL Review datasets”)

- Only the yearly summations of the McFarland datasets
- color-coding of datasets for ease of review,

Meter No.	Meter Name	Product	Allocation	2016 Total	2017 Total	2018 Total	row	2016-2018 Total by We
		Product	Metho					
FE-111AC	ML 1-11 UT Condensate	Cond	New	12,804	8,807	7,033	1	28,645
FE-111AC	ML 1-11 UT Condensate	Cond	Old	11,979	6,114	4,645	2	22,738
FE-111AC	ML 1-11 UT Condensate	Cond	diff	825	2,693	(2,389)	3	1,130
FE-111AC	ML 1-11 UT Condensate	Gas	New	7,953	3,661	2,590	4	14,204
FE-111AC	ML 1-11 UT Condensate	Gas	Old	7,685	7,892	6,222	5	21,798
FE-111AC	ML 1-11 UT Condensate	Gas	diff	268	(4,230)	(3,632)	6	(7,594)
FE-111AG	ML 1-11 UT Gas	Cond	New	8,996	7,672	6,194	7	22,861
FE-111AG	ML 1-11 UT Gas	Cond	Old	8,742	10,695	9,569	8	29,006
FE-111AG	ML 1-11 UT Gas	Cond	diff	254	(3,024)	3,376	9	606
FE-111AG	ML 1-11 UT Gas	Gas	New	828,451	721,620	559,782	10	2,109,853
FE-111AG	ML 1-11 UT Gas	Gas	Old	826,762	716,022	554,359	11	2,097,143
FE-111AG	ML 1-11 UT Gas	Gas	diff	1,689	5,598	5,423	12	12,710

Attach. 2 (“IDL Review datasets”)

additional summations by Plant Condensate & Residue Gas
 new, old, difference, % difference

2016 - 2018 Totals by Well Completion							
Plant Condensate (BBL)				Residue Gas (MMBtu)			
New (1+7)	Old (2+8)	Difference (3+9)	% Difference	New (4+10)	Old (5+11)	Difference (6+12)	% Difference
51,506							
	51,744						
		1,735	3%				
				2,124,058			
					2,118,941		
						5,116	0%

Bottom of Attach. 2 shows 2016-18 grand totals of all wells for:

2016-2018 Totals All Wells of Plant Condensate (BBL)		
New	Old	Difference
313,357	313,357	0

2016-2018 Totals All Wells of Residue Gas (MMBtu)		
New	Old	Difference
11,304,665	11,304,667	(2)

Attach. 2 : new corrected allocation shows reasonable variances by well completion in % differences to old allocation results

Except for Kauffman 1-9 LT: **-28 % difference** in **Plant Condensate**

Plant Condensate (BBL)			
New (1+7)	Old (2+8)	Difference (3+9)	% Difference
8,330			
	6,335		
		(1,765)	-28%

At this point in our investigation, the variances in % differences, including Kauffman 1-9 LT, are presumed to be related to the allocation error

QUESTIONS?

THANK YOU



Kaufmann 1-34 separator, meter system, & heater-treater

$$V_x = \sum_{m=1}^M \sum_{i=1}^I V_{x,m,i} = \sum_{i=1}^I V_{x,i} = \sum_{i=1}^I V_{x,i} \cdot \frac{V_i}{V_i} = \sum_{i=1}^I V_{x,i} \cdot \frac{\sum_{y=1}^Y V_{y,i}}{\sum_{x=1}^X V_{x,i}}$$

$$V_x = \sum_{i=1}^I \frac{V_{x,i}}{\sum_{x=1}^X V_{x,i}} \cdot \sum_{y=1}^Y V_{y,i}$$

The equivalent volume contributed by source x is equal to the contribution of component i from source x relative to the contributions of component i from all sources, multiplied by the receipts of component i by all sinks, summed over all stream components.