

THE APPLICATION OF QUANTUM RESOURCES MANAGEMENT, LLC TO CONSIDER AN INCREASED NET GAS OIL RATIO AUTHORITY FOR THE MITCHELL "D" LEASE, WELL NO. 1, MONAHANS, NORTH (GLORIETA) FIELD, WINKLER COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

HEARING DATE: September 30, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

James M. Clark

Quantum Resources Management, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Quantum Resources Management, LLC ("Quantum") requests approval of an increased net gas oil ratio authority with a casinghead gas limit of 2,000 MCFGPD for its Mitchell "D" Lease, Well No. 1, in the Monahans, North (Glorieta) Field. Quantum also requests that all overproduction for the well be canceled.

At the hearing, Quantum amended its request to include a Maximum Efficient Rate ("MER") oil allowable of 200 BOPD. After re-notice of the MER oil allowable, the application is unopposed and the examiner recommends approval of the requested MER allowable, net gas oil ratio authority and cancellation of the well's overproduction.

DISCUSSION OF EVIDENCE

Quantum applied for and received an exception to Statewide Rule 10 for the Mitchell "D" Lease, Well No. 1, to downhole commingle production from the G P M (8200), G. P. M. (Tubb), Monahans, North (Glorieta) and Monahans, North (Clearfork) Fields in Winkler County, Texas. The well was completed in November 2010 with perforations between 5,066 feet and 6,508 feet and will be assigned into the Monahans, North (Glorieta) Field. On initial test, the well flowed on a 20/64" choke at a rate of 119 BOPD, 355 MCFGPD and 1,325 BWPD. The top allowable in the field is 75 BOPD with an allowable gas oil ratio of 2,000 cubic feet per barrel and a casinghead gas limit of 150 MCFGPD. There are six producing oil wells and two operators carried on the proration schedule.

Since the Mitchell "D" Lease, Well No. 1, produces with a high water cut, the well could not be flow tested on smaller choke sizes, as it would begin to load up and cease to flow. As a result, Quantum ran a downhole production log which showed production from the following fields:

<u>FIELD</u>	<u>PRODUCTION</u>
Monahans, North (Glorieta)	96 BOPD, 0 MMCFGPD, 149 BWPD
Monahans, North (Clearfork)	1 BOPD, 1,276 MMCFGPD, 0 BWPD
G. P. M. (Tubb)	4 BOPD, 90 MMCFGPD, 226 BWPD

Quantum submitted a production data graph from the original completion through June 2011 on the Mitchell "D" Lease, Well No. 1. The graph showed that the well had produced at rates as high as 195 BOPD and 1,950 MCFGPD.

Based on the production data and log results, Quantum requests an MER allowable of 200 BOPD and an increased net gas oil ratio authority with a casinghead gas limit of 2,000 MCFGPD. The Mitchell "D" Lease, Well No. 1, is overproduced and Quantum also requests that all of the well's overage be canceled.

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. Quantum applied for and received an exception to Statewide Rule 10 for the Mitchell "D" Lease, Well No. 1, to downhole commingle production from the G P M (8200), G. P. M. (Tubb), Monahans, North (Glorieta) and Monahans, North (Clearfork) Fields in Winkler County, Texas.
3. The well was completed in November 2010 with perforations between 5,066 feet and 6,508 feet and will be assigned into the Monahans, North (Glorieta) Field. On initial test, the well flowed on a 20/64" choke at a rate of 119 BOPD, 355 MCFGPD and 1,325 BWPD.
4. The top allowable in the field is 75 BOPD with an allowable gas oil ratio of 2,000 cubic feet per barrel and a casinghead gas limit of 150 MCFGPD. There are six producing oil wells and two operators carried on the proration schedule.
5. Since the Mitchell "D" Lease, Well No. 1, produces with a high water cut, the well could not be flow tested on smaller choke sizes, as it would begin to load up and cease to flow.
6. A production data graph showed that the Mitchell "D" Lease, Well No. 1, had

produced at rates as high as 195 BOPD and 1,950 MCFGPD.

7. The Mitchell "D" Lease, Well No. 1, is overproduced.

CONCLUSIONS OF LAW

1. Notice of this hearing was given as specified in the provisions of all regulatory codes.
2. All things have occurred or been accomplished to give the Commission jurisdiction in this matter.
3. Approval of an MER allowable of 200 BOPD, an increased net gas oil ratio authority with a casinghead gas limit of 2,000 MCFGPD and cancellation of the overproduction for the Mitchell "D" Lease, Well No. 1, in the Monahans, North (Glorieta) Field will prevent waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission approve the MER allowable, increased net gas oil ratio authority and cancel the overproduction for the Mitchell "D" Lease, Well No. 1, as requested by Quantum Resources Management, LLC.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner