



## RAILROAD COMMISSION OF TEXAS

### HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0289444

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**THE APPLICATION OF LINN OPERATING, INC. FOR A FIELD-WIDE MAXIMUM EFFICIENT RATE ALLOWABLE, NET GAS-OIL RATIO, EXCEPTION TO RULE 49(A), AND CANCELLATION OF OVERPRODUCTION FOR THE GOLDSMITH (CLEAR FORK) FIELD, ECTOR COUNTY, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Cecile Hanna – Hearings Examiner

**HEARING DATE:** October 30, 2014

**CONFERENCE DATE:** January 27, 2015

**APPEARANCES:**

Paul Tough  
John McBeath

**REPRESENTING:**

Linn Operating, Inc.

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Linn Operating, Inc. (Linn) seeks a field-wide maximum efficient rate (MER) allowable of 500 barrels of oil per day (BOPD) and a daily gas limit of 1,000 thousand cubic feet per day (MCFGD). In addition, Linn seeks to exempt oil wells in the field from allowable penalties in Statewide Rule 49(a) [16 Tex. Admin. Code § 3.29(a)], and to cancel any overproduction from three of its leases in the field. All operators of wells in the field were given notice of Linn's application. No protests were received. The examiners recommend Linn's application be approved.

#### DISCUSSION OF EVIDENCE

The Goldsmith (Clear Fork) Field was discovered in 1946 and is currently experiencing revitalized development mostly by infield drilling down to 10 acre optional unit density. The field has been consolidated over time and currently includes the reservoirs

in the Glorietta, Tubb, Clear Fork, and Wichita-Albany Formations. Linn is the operator of about 131 wells in the Goldsmith (Clear Fork) Field in Ector County, Texas. Most of these wells have been drilled since 2010. From January through September 2014, Linn has received about 50 permits to drill new wells in the Goldsmith (Clear Fork) Field. Most of the new permits are for vertical wells. During this same time, about 200 new permits have been issued by the Commission for the entire field.

Linn and other operators are developing the field with modern stimulation techniques that result in production rates in excess of the current maximum allowable, which is 111 BOPD and is based on the 1965 yardstick in Statewide Rule 45(a)(2) for a 40 acre proration unit. Many wells in the field, producing in excess of their allowables, accrue overproduction that must be addressed by restricting subsequent production or shutting in the wells until the overage is eliminated. Linn believes the current allowable production rate is too low and the reservoir can produce efficiently at higher rates without causing waste of hydrocarbon resources. Linn points out that many other wells and leases in the field have been granted MER allowables in five prior cases; Linn provided evidence in this matter for its own wells, too. Based on the field's history of MER allowables obtained by different operators within various parts of the field area, Linn requests through this matter that all wells in the whole Goldsmith (Clear Fork) Field be allowed to produce at a 500 BOPD MER allowable and a corresponding 1,000 MCF daily gas limit. Not all wells in the field require an MER allowable, but many do and many future wells will.

Linn provided data used in an earlier MER application (Oil & Gas Docket No. 08-0281522, Final Order dated December 18, 2013), indicating that on initial potential tests wells in the field have produced up to 934 BOPD. Many of Linn's wells in the field are producing from rod pumps, but some are on electric submersible pumps (ESPs). The ESPs are capable of moving a greater volume of total fluid. Switching to ESPs has resulted in a lower or unchanged GOR, a reduced water cut, more efficient recovery, and no harm to the reservoir. Importantly, Linn concludes the reservoir is not rate sensitive for gas or water. The wells on rod pumps cannot easily vary their production rate for testing, but the production rate of an ESP can be varied to a degree.

Linn also seeks an exception to Statewide Rule 46(a) for all wells in the field. This exception was granted in two earlier dockets applying to a limited subset of wells in the field. Linn believes the efficient production rates demonstrated though data provided by this and the two earlier cases establishes that there is no need to apply this provision to wells in the field. Linn also requests that overproduction be cancelled for its Louisa Lease (No. 43140), Isabel Lease (42435), and Vivian Lease (41959).

#### **FINDINGS OF FACT**

1. Proper notice of this hearing was given to all parties entitled to notice at least

10 days prior to the hearing. There were no protests to the application.

2. The Goldsmith (Clear Fork) Field was discovered in 1946 and currently includes the reservoirs in the Glorietta, Tubb, Clear Fork, and Wichita-Albany Formations.
3. The field is experiencing revitalized development mostly by infield drilling down to 10 acre optional unit density.
4. From January through September 2014, about 200 new permits have been issued by the Commission for the entire field; Linn has received about 50 permits to drill new wells.
5. Linn and other operators are developing the field with modern stimulation techniques that result in production rates in excess of the current maximum allowable, which is 111 BOPD for a 40 acre proration unit.
6. Many wells in the field, producing in excess of their allowables, accrue overproduction that must be addressed by restricting subsequent production or shutting in the wells until the overage is eliminated.
7. Maximum Efficient Rate (MER) allowables have been granted by the Commission for wells and leases in the field on five prior occasions.
8. The current allowable production rate is too low and the reservoir can produce efficiently at higher rates without causing waste of hydrocarbon resources.
9. Wells in the Goldsmith (Clear Fork) Field can produce efficiently at a rate of 500 BOPD with a daily gas limit of 1,000 MCF per day, without harming the reservoir.

#### **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 § 1.45
3. The MER allowable, Daily Gas Limit, exception to Statewide Rule 46, and cancellation of overproduction as requested by Linn Operating, Inc., will not cause waste and will protect correlative rights.

**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the examiners recommend a 500 BOPD MER allowable, 1,000 MCF daily gas limit, and an exception to Statewide Rule 49(a) be approved for all wells in the Goldsmith (Clear Fork) Field. Further, the examiners recommend overproduction be cancelled for the Louisa Lease (No. 43140), Isabel Lease (42435), and Vivian Lease (41959).

Respectfully submitted,



Paul Dubois  
Technical Examiner



Cecile Hanna  
Hearings Examiner