



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 7B-0301550

THE APPLICATION OF MID-CON ENERGY OPERATING, LLC TO CONSIDER A FIELD-WIDE MAXIMUM EFFICIENT RATE (MER) ALLOWABLE AND TO CANCEL ALL ACCRUED Overage FOR THE HARDROCK (KING SAND) FIELD, NOLAN COUNTY, TEXAS

HEARD BY: Richard Eyster – Technical Examiner
Marshall Enquist– Administrative Law Judge

HEARING DATE: October 26, 2016

CONFERENCE DATE: December 6, 2016

APPEARANCES:

APPLICANT:

Dale Miller

Mid-Con Energy Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Mid-Con Energy Operating, LLC ("Mid-Con") seeks a maximum efficient rate (MER) allowable of 130 barrels of oil per day (BOPD) and the cancellation of overproduction for all wells in the Hardrock (King Sand) Field, in Nolan County, Texas.

At the hearing Mi-Con waived the issuance of a PFD and agreed that pursuant to Texas Government Code 2001.144(a)(4)(A) the order will become effective on the day it is signed by the Commissioners.

Based on the evidence in the record, the Technical Examiner and the Administrative Law Judge (collectively the "Examiners") conclude that, Mid-Con has demonstrated that a 130 BOPD MER allowable and the cancellation of accrued overproduction will prevent waste, protect correlative rights, and promote the orderly development of the Hardrock (King Sand) Field.

The application was not protested and the Examiners recommend Mid-Con's application be approved.

DISCUSSION OF THE EVIDENCE

The Hardrock (King Sand) Field was discovered on July 31, 1960, at a depth of 4,290 feet. There are 8 producing wells carried on the October 1, 2016 proration schedule. Mid-Con is the only operator in the Hardrock (King Sand) Field and there are three leases with a total of eight active wells and one, one-well lease which is shut-in. Mid-Con took over all leases from the previous operator Walter Exploration Company, effective August 1, 2016. The Hardrock (King Sand) Field, (the "Field") has a top allowable of 73 BOPD and a standard GOR of 2,000 SCFG/BO. The first well, the Joe Young Well No. 6 (API No. 353-33030), was completed in August 2009 at a total depth of 5,808 ft. The initial potential test for all the completed wells show that the maximum 24 hour rates were 70 BOPD, 27 MCFGPD and 110 BOWPD. The thickness of the perforated interval ranges from 5 to 16 ft.

The initial W-10 effective date of August 1, 2016 shows that all the oil allowable for the Joe Young lease is 175 BOPD, 59 BOPD for the Sisters Lease, and 57 BOPD for the Young Boyd Unit Lease. This resulted in a lower allowable for all three leases than the previous months as shown on Mid-Con Exhibit N0. 21. As a result Mid-Con is experiencing accrual of over production from the three leases.

When Mid-Con took over the leases there was back pressure be held on the wells. Mid-Con drew down the pressure and the production from the wells increased and they are now capable of producing at rates above the top allowable. The most recent retest filed October 17, 2016 shows three wells are capable of producing over 100 BOPD. The maximum test rate was 121 BOPD with no water production. The daily production from September 2016, as shown on Mid-Con Exhibits 15, 17, and 19, support these rates as well. Mid-Con believes it is necessary to increase the top allowable for the Field to keep their wells in compliance with the assigned allowable and to prevent overproduction.

Therefore, Mid-Con, who is the sole operator in the Field is requesting that the Commission grant a MER of 130 BOPD for the Hardrock (King Sand) Field and that all overproduction accrued in the Field be cancelled.

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 the hearing.
2. The Hardrock (King Sand) Field was discovered on July 31, 1960, at a depth of 4,290 ft.
3. Mid-Con is the only operator in the Hardrock (King Sand) Field and there are three leases with a total of eight active wells and one, one-well lease which is shut-in.
4. The Hardrock (King Sand) Field, has a top allowable of 73 BOPD and a standard GOR of 2,000 SCFG/BO.

5. The initial potential test for all the completed wells show that the maximum 24 hour rates were 70 BOPD, 27 MCFGPD and 110 BOWPD.
6. The thickness of the perforated interval ranges from 5 to 16 ft.
7. Mid-Con Corporation's evidence indicates that the proposed MER may result in the recovery of reserves that otherwise may not have been recovered because the higher daily rate of production results in a lower water-oil-ratio.
8. The initial W-10 effective date of August 1, 2016 shows that all the oil allowable for the Joe Young lease is 175 BOPD, 59 BOPD for the Sisters Lease, and 57 BOPD for the Young Boyd Unit Lease.
9. Mid-Con Corporation's evidence indicates that a 130 bopd MER and cancellation of over production for the field will not cause waste of otherwise recoverable reserves nor will it harm correlative rights.

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 §§ 1.43 and 1.45
3. A 130 BOPD MER for the Hardrock (King Sand) Field will not cause waste or harm correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Mid-Con Corporation for a field-wide MER for the Hardrock (King Sand) Field of 130 bopd. Further, the Examiners recommend that all accumulated overproduction in the field be cancelled.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Marshall Enquist
Administrative Law Judge