



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 7C-0300778

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THE APPLICATION OF BANNER OPERATING, LLC FOR A FIELD-WIDE MAXIMUM EFFICIENT RATE ALLOWABLE, A FIELD-WIDE NET GAS-OIL RATIO, EXCEPTION TO STATEWIDE RULE 49 (a), AND CANCELLATION OF OVERPRODUCTION, JUNE ANN (STARKEY-CANYON SD) FIELD, TOM GREEN COUNTY, TEXAS

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HEARD BY: Peggy Laird, P.G. – Technical Examiner  
Dana Lewis – Administrative Law Judge

HEARING DATE: August 19, 2016

CONFERENCE DATE: April 4, 2017

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Banner Operating, LLC

Keith Masters  
Sam Hamilton  
Dale Miller

TXP, Incorporated

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Banner Operating, LLC ("Banner") seeks a field-wide maximum efficient rate allowable ("MER") of 300 barrels of oil per day ("BOPD"), a field-wide net gas-oil ratio authority ("GOR") of 10,000 standard cubic feet per stock tank barrel ("SCF/STB"), an exception to Statewide Rule 49 (a) for all wells in the field, and cancellation of accrued overproduction for all wells in the June Ann (Starkey-Canyon SD) Field (the "Field"), Tom Green County, Texas. Dale Miller representing TXP, Incorporated ("TXP") appeared in support of the application. Official notice was taken of the record for Docket No. 7C-0300514, heard on July 20, 2016, wherein TXP presented evidence to support similar provisions for their wells in the same Field as Banner. TXP and Banner are the only operators in the Field.

There were no objections filed, and no protestants appeared at the hearing. The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend approval of the provisions as requested by Banner.

### **DISCUSSION OF THE EVIDENCE**

The June Ann (Starkey-Canyon SD) Field was discovered on January 31, 2007, at a depth of 6,523 feet. The Field is an oil reservoir with a top oil allowable of 111 BOPD and a standard GOR of 2,000 SCF/STB. This provides for a daily gas limit of 222 thousand cubic feet of gas per day ("MCFPD") for wells in the field.

Mr. Hamilton served as Banner's expert witness, and stated the Field has historical GORs in excess of the standard 2,000 SCF/STB. The August 2016 oil proration schedule shows most wells in this field produce with a GOR more than 2,000 SCF/STB. In this field, if the GOR of a well is more than 2,000 SCF/STB, the well will receive a penalized oil allowable. For example, the August 2016 oil proration schedule for the Turner Ranch T.D. 25, Well No. 2 has a GOR of 4,808 SCF/STB, and the top allowable that can be assigned to this well is 42 BOPD. The initial potential test shows Well No. 2 has a potential of 230 BOPD, which is greater than the top allowable.

The log presented in Exhibit No. 7 shows there are multiple independent reservoirs in the 850-foot interval, but classification is as a single field from a regulatory standpoint. Banner indicated that production from the different reservoirs offer explanation of why there is varying GOR production from the Field.

Banner presented a structure map that shows dip is from the NE to SW. The map locates all wells that ever produced from the Field, with the northernmost wells being operated by Banner, and the southernmost wells operated by TXP. There is no trend between initial GOR and structural elevation, showing that the wells have varying initial GORs that are not due to structural elevation.

Banner also presented multiple exhibits that show production and performance data for the Field. This data indicates a volatile oil reservoir and the GOR increasing with time, which is typical of a solution gas drive reservoir. As the pressure of the reservoir decreases, gas will come out of solution and the GOR of the wells will increase.

Banner did not conduct variable rate tests, as the well they were testing was incapable of producing at the required rates. In lieu of testing, Banner relied on TXP's information officially noticed above and Banner's own production data. The oil rate is declining and the GOR increasing, an inverse relationship, which is typical solution gas drive behavior. Results of TXP's testing indicates average GORs from 7,000 to 15,000 SCF/STB. Banner's production data shows the GOR varies from about 4,500 in October 2015 to 6,500 in May 2016.

Banner's requests for field-wide adjustments will promote development, not cause waste, and provide for administrative efficiency as Banner continues development of the Field.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all persons entitled to notice at least ten (10) days prior to the hearing.
2. Official notice was taken of the record for Docket No. 7C-0300514, heard on July 20, 2016.
3. TXP is in support of the application, and is the only other operator in the Field.

4. The June Ann (Starkey-Canyon SD) Field was discovered on January 31, 2007, at a depth of 6,523 feet.
5. The Field has historical GORs more than the standard 2,000 SCF/STB.
6. The August 2016 oil proration schedule for the Turner Ranch T.D. 25, Well No. 2 has a GOR of 4,808 SCF/STB, and the top allowable that can be assigned to this well is 42 BOPD.
7. There are multiple independent reservoirs that each produce within the 850-foot interval for the Field.
8. There is no trend between initial GOR and structural elevation, showing that the wells have varying initial GORs that are not due to structural elevation.
9. Various production and performance data for the Field indicate the GOR is increasing over time, which is typical behavior in a solution gas drive reservoir.
10. Banner plans to continue development of the Field.

#### **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. Banner's requests for field-wide adjustments will promote development, not cause waste, and provide for administrative efficiency as Banner continues development of the Field.

#### **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 Banner for a field-wide MER of 300 BOPD, a field-wide GOR of 10,000 SCF/STB, an exception to Statewide Rule 49 (a) for all wells in the field, and cancellation of accrued overproduction for all wells in the Field, Tom Green County, Texas.

Respectfully submitted,



Dana Lewis  
Administrative Law Judge



Peggy Laird, P.G.  
Technical Examiner