



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0305636

THE APPLICATION OF MECO IV, LLC FOR AN MER ALLOWABLE AND INCREASED NET GAS-OIL RATIO AUTHORITY FOR EACH WELL IN THE EMPEROR (WICHITA ALBANY) FIELD, WINKLER COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. – Technical Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: September 12, 2017

CONFERENCE DATE: November 7, 2017

APPEARANCES:

REPRESENTING:

APPLICANT:

Flip Whitworth
Richard Johnston, P.E.

MECO IV, LLC
MECO IV, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

MECO IV, LLC ("MECO") requests approval of a maximum efficient rate ("MER") oil allowable of 200 barrels of oil per day and increased net gas-oil ratio authority with a casinghead gas limit of 2,300 MCF of gas per day ("MCFD") for each well in the Emperor (Wichita Albany) Field, Winkler County, Texas. MECO also requests that all over-production in the field be cancelled.

The application is unopposed and the technical examiner and administrative law judge (collectively "Examiners") recommend approval of the requested MER oil allowable, increased net gas-oil ratio authority, and cancellation of all over-production for each well in the Emperor (Wichita Albany) Field.

DISCUSSION OF EVIDENCE

The Emperor (Wichita Albany) Field was discovered in July 1996 with an interval from 7,140 feet to 7,215 feet as shown on the log section of the discovery well. The field is classified as associated with the gas field allowable and allocation formula being suspended. The oil proration schedule reflects that there are four producing oil wells, with MECO operating three of those wells and XTO Energy operating a single oil well. The gas proration schedule reflects a total of three producing gas wells operated by Chevron Midcontinent LP, Chevron U.S.A., Inc. and Dinero Operating Company. The field operates under statewide rules. The top allowable in the field is the 1965 yardstick of 111 barrels of oil per day ("BOPD") with an allowable gas-oil ratio ("GOR") of 2,000 standard cubic feet of gas per barrel of oil, or 2,000:1 SCF/Bbl. Cumulative oil production from the field through July 2017 is 125.59 thousand barrels of oil and 2,230.58 MMCF.

To date, MECO has drilled and completed six vertical wells on its S.M. Halley 'B' Lease, although only three of its oil wells are shown on the current oil proration schedule. All oil wells produce with a high GOR and make significant volumes of water. All six MECO operated wells have Rule 10 Exceptions to downhole commingle the Wichita Albany and the Lower Clear Fork Formations. The MECO – Halley 'B' Lease, in the first few months of production, had a GOR greater than 10,000:1 SCF/Bbl. In the most recent reported months of production, this lease's GOR is in the 7,000 to 8,000 SCF/Bbl range (Exhibit No. 9). The GOR for the MECO – Halley 'B' Lease is substantially below the field GOR as shown by the field composite production plot (Exhibit No. 10).

MECO submitted daily production data from two oil wells that it operates showing wells produce oil and casinghead gas in excess of the current top allowable. These wells further show a capability of producing the requested 200 BOPD MER and the 2,300 MCFD gas limit. These test results also show that these wells produce erratically at different rates, are not rate sensitive, and that producing at the requested MER and gas limit rate will not adversely affect ultimate production from the field.

MECO believes that producing the wells in this field at the requested MER and gas limit is necessary to effectively recover the remaining oil reserves that are available to each well. Based on the production data submitted, MECO requests an MER allowable of 200 barrels of oil per day and increased net gas-oil ratio authority with a casinghead gas limit of 2,300 MCFD for each well in the field. Due to producing the wells at rates in excess of the current allowable, MECO's wells are over-produced. MECO accordingly requests that all over-production in the Emperor (Wichita Albany) 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 and no protests were received.

2. The Emperor (Wichita Albany) Field was discovered in July 1996 at an interval from 7,140 feet to 7,215 feet as shown on the log of the discovery well.
 - a. The field is classified as associated and the gas field's allocation formula is suspended.
 - b. There are four oil wells and three gas wells shown on the September 2017 oil and gas proration schedules.
 - c. MECO has further completed three oil wells that are not yet on the proration schedule.
 - d. The field operates under statewide rules.
 - e. The top oil allowable in the field is the 1965 Yardstick Allowable of 111 BOPD with an allowable gas-oil ratio of 2,000:1.
3. An MER oil allowable of 200 barrels of oil per day and increased net gas-oil ratio authority with a casinghead gas limit of 2,300 MCFD for each well in the Emperor (Wichita Albany) Field is appropriate.
 - a. The field produces from the Wichita Albany formation and oil wells produce with a gas-oil ratio that exceeds the current gas limit.
 - b. Wells in the field are capable of producing in excess of the 111 BOPD current allowable.
 - c. All the wells make significant amounts of produced water.
 - d. Daily production and rate sensitivity tests demonstrate that the wells produce erratically at different rates and that they are not GOR rate sensitive.
 - e. Producing the wells at the requested MER and gas limit will allow the remaining recoverable oil and gas in the field to be produced and will not cause waste.
4. Because oil wells have been produced at high GOR's with penalized oil allowables, and at rates in excess of the current allowables, there are a number of producing wells that are overproduced.
5. At the hearing, the applicant agreed on the record that the Final Order in this case is to be effective when the Master Order is signed.

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. Approval of an MER oil allowable of 200 BOPD, increased net gas-oil ratio authority with a casinghead gas limit of 2,300 MCFD, and cancellation of all over-production for each well in the Emperor (Wichita Albany) Field will prevent waste, will not harm correlative rights, and will promote development of the field.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, the Final Order is effective when a Master Order relating to the Final Order is signed on November 7, 2017.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission approve an MER oil allowable of 200 BOPD, increased net gas-oil ratio authority with a casinghead gas limit of 2,300 MCFD, and cancellation of all over-production for each well in the Emperor (Wichita Albany) Field, as requested by MECO IV, LLC.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Jennifer Cook
Administrative Law Judge