

CHRISTI CRADDICK, *CHAIRMAN*

RYAN SITTON, *COMMISSIONER*

WAYNE CHRISTIAN, *COMMISSIONER*



RANDALL D. COLLINS, *DIRECTOR*

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0305781

THE APPLICATION OF FOUNDATION ENERGY MANAGEMENT LLC TO CONSIDER A MAXIMUM EFFICIENT RATE (MER) ALLOWABLE AND TO CANCEL ALL OVERPRODUCTION FOR THE KURTH, J.H., JR. -A- LEASE WELL NO. 7A IN THE NEWTON, N. (KURTH SAND) FIELD, NEWTON COUNTY, TEXAS

HEARD BY: Richard Eyster, P.G. - Technical Hearings Examiner
Jennifer N. Cook - Administrative Law Judge

HEARING DATE: August 30, 2017

APPEARANCES:

Dale E. Miller

REPRESENTING:

Foundation Energy Management LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Foundation Energy Management LLC ("Foundation") seeks a maximum efficient rate (MER) allowable of 500 BOPD for its Kurth, J.H., Jr. -A- Lease Well No. 7A (the Well) in the Newton, N. (Kurth Sand) Field, Newton County, Texas. Foundation also requests that accumulated overproduction on the lease be canceled. The application was not protested and the technical examiner and the administrative law judge (collectively the "Examiners") recommend that the application be granted as requested.

DISCUSSION OF THE EVIDENCE

Foundation completed the Kurth, J.H., Jr. -A- Lease Well No. 7A on June 2, 2016. The well is currently flowing and has been producing consistently on a 10/64th inch choke size. The well is producing from perforations at a depth of 7,254 to 7,266 feet. The initial potential test dated June 3, 2016 shows the rates were 505 BOPD, 246 MCFPD and 18 BOPD. Foundation ran a bottom hole pressure survey on August 21, 2016 and it was determined to be 3,178 psig. This reservoir is highly permeable (476 md) and the log shows the gross pay section is approximately 50 feet thick.

Foundation is requesting that a 500 BOPD MER oil allowable with current 322 MCFPD daily gas limit be established for the well and that all overproduction be canceled or held in abeyance.

Presently, the top allowable for this well is 161 BOPD and 322 MCFPD. The well has consistently been producing oil in excess of the current top allowable. The well has accumulated an overproduction of 87,107 BO and 27,457 MCF of casinghead gas through June of 2017. The well periodically needs to be cleaned out for paraffin buildup and hot oil treatment for flow lines. Presently the well makes on average approximately 400 BOPD, but it is possible that the oil production rate may increase as Foundation has to open up the choke to keep the wellbore unloaded.

Foundation has provided the daily results from inception of production on June 1, 2016 through July 31, 2017. Foundation provided a graph of the production that shows the well has consistently been held back below the actual potential to conserve reservoir energy and to be able to produce the maximum amount of oil from this reservoir. Foundation stated that it is not prudent to shut-in a flowing oil well as it can cause damage to the producing capability of a well. Allowing Foundation to continue to produce the well in the current manner will protect correlative rights and prevent waste.

FINDINGS OF FACT

1. Notice of this hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing and no protests were received.
2. Foundation completed the Kurth, J.H., Jr. -A- Lease Well No. 7A on May 28, 2016.
3. The well is producing at an approximate depth of 7,260 feet and has been produced consistently on a 10/64th inch choke size.
4. The initial potential test dated June 3, 2016 shows the rates of production were 505 BOPD, 246 MCFPD and 18 BWPD.
5. Foundation ran a bottom hole pressure survey on the well on August 21, 2016 and it determined the BHP to be 3,178 psig. The reservoir is highly permeable (476 md) and the log shows the gross pay section is approximately 50 feet thick.
6. Presently the top allowable for this well is 161 BOPD and 322 MCFPD. The well has accumulated an overproduction of 87,107 BO and 27,457 MCF of casinghead gas through June of 2017.
7. The well periodically needs to be cleaned out for paraffin buildup and hot oil treatment for flow lines. Presently the well makes on average 400 BOPD.
8. There is no evidence to suggest that a 500 BOPD allowable will cause waste or harm correlative rights.

9. Allowing the well to continue to produce at the current rates is prudent and will prevent waste and protect correlative rights.
10. Unnecessary shut-in of a flowing oil well can damage the wellbore and cause a loss of productive performance.
11. Cancellation of the overage is proper to prevent having to shut-in a flowing oil well.
12. Foundation agreed on the record at the hearing for this case that the effective date of this Final Order is to be the date the Master Order related to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Establishing a 500 BOPD MER for the Kurth, J.H., Jr. -A- Lease Well No. 7A will prevent waste and will protect correlative rights.
4. Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code and by agreement of Foundation on the record, **Foundation has waived the right to file a motion for rehearing and this Final Order can be effective on the date the Master Order relating to the Final Order is signed.**

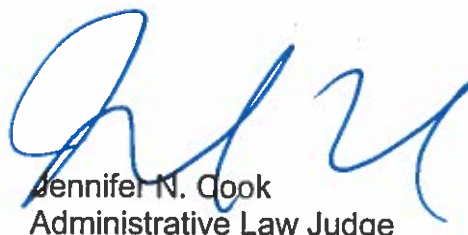
EXAMINER'S RECOMMENDATION

Based on the above findings of facts and conclusions of law, the examiners recommend that the Commission enter an order granting the application of Foundation Energy Management LLC for an MER allowable of 500 BOPD for its Kurth, J.H., Jr. -A- Lease Well No. 7A in the Newton, N. (Kurth Sand) Field, Newton County, Texas. The examiners further recommend that accrued overproduction on the lease be cancelled.

Respectfully submitted,



Richard Eyster, P.G.
Technical Examiner



Jennifer N. Cook
Administrative Law Judge