



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL & GAS DOCKET NO. 04-0306745

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THE APPLICATION OF KILLAM OIL CO., LTD. FOR AN INCREASED NET GAS-OIL RATIO AND TO CANCEL OVERPRODUCTION FOR THE I.V. MONTALVO "C" LEASE, WELL NO. 48, SUN, NORTH (5810) FIELD, STARR COUNTY, TEXAS

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

HEARING DATE: October 27, 2017

CONFERENCE DATE: February 13, 2018

**APPEARANCES:**

**REPRESENTING:**

**APPLICANT:**

Kelli Kenney  
Rick Hoin  
Louis Doublet

Killam OIL Co., LTD.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF CASE**

Killam Oil Co., Ltd. ("Killam") requests authority to produce the I.V. Montalvo "C" Lease, Well No. 48 ("the Well") in the Sun, North (5810) Field under an increased net gas-to-oil ratio ("GOR") of 4,000 standard cubic feet of gas per barrel of oil, or 4,000:1 ("SCF/BO") such that the oil allowable shall not be penalized due to high GOR. Killam also requests that all overproduction accrued for the well be cancelled effective the date of the Final Order in this matter. This application was not protested. The technical examiner and administrative law judge ("Examiners") recommend the application be granted.

**DISCUSSION OF THE EVIDENCE**

The Sun, North (5810) Field was discovered on June 25, 1989, at a depth of 5,819 feet. Killam is operating the only producing well in the Sun, North (5810) Field. The top

allowable is 102 barrels of oil per day ("BOPD") and 204 thousand cubic feet of gas per day ("MCFD").

Killam completed Well No. 48 on March 8, 2017. During initial testing, the Well stabilized at rates of 91 BOPD, 259 MCFD, and 20 barrels of water per day ("BWD") with a GOR of 2,845 SCF/BO. After W-2 approval, the Well is currently assigned a penalized oil allowable of 41 BOPD and a gas allowable of 204 MCFD. The Well initially produced with an average GOR of 5,000 SCF/BO. Killam attempted different choke settings from early September until late October ranging from 10/64ths of an inch to 12/64ths of an inch to reach the assigned allowable. The change in choke settings did not significantly affect the GOR during the test period, and the average GOR remained above 2,000 SCF/BO. Killam attempted to reduce the choke setting to less than 10/64ths, but the well would load up from the amount of water produced. Killam maintained the Well at a rate that prevented it from loading up using a 10/64ths choke setting.

The Well has over produced from completion because Killam could not effectively choke the Well, and the Well's early rates were erratic from significant water production. From the date of first production, Well No. 48 is estimated to be overproduced 2,620 BO and 41,416 MCF as of September 30, 2017.

#### **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 hearing.
2. The Sun, North (5810) Field was discovered in 1989, and the top allowable in the field is 102 BOPD and 204 MCFD.
3. Well No. 48 is currently assigned a penalized oil allowable of 41 BOPD, and a gas allowable 204 MCFD for an average GOR of 5,000 SCF/BO.
4. Killam conducted step-rate tests and used different choke settings to reduce production to reach the assigned allowable.
5. Well No. 48 would not remain stable when Killam reduced the choke setting to less than 10/64ths of an inch.
6. Killam maintained the Well's rate using a 10/64ths choke setting to prevent loading the well.
7. As of September 30, 2017, Well No. 48 is estimated overproduced 2,620 BO and 41,416 MCF.
8. 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 § 1.42.
3. 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 February 13, 2018.

**RECOMMENDATION**

The Examiners recommend that authority be granted to Killam to produce Well No. 48 in the Sun, North (5810) Field at an increased GOR of 4,000 SCF/BO such that the oil allowable shall not be penalized due to high GOR, and that all accumulated overproduction for this lease be cancelled as of the effective date of the Final Order in this matter.

Respectfully submitted,



Peggy Laird, P.G.  
Technical Examiner



Jennifer Cook  
Administrative Law Judge