



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 03-0307478

THE APPLICATION OF UPSTREAM EXPLORATION LLC TO AMEND THE PERMANENT FIELD RULES FOR THE VAN METER (YEGUA CONS) FIELD, JASPER AND HARDIN COUNTIES, TEXAS

HEARD BY: Paul Dubois, P.E. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: January 24, 2018

CONFERENCE DATE: February 27, 2018

APPEARANCES:

APPLICANT:

Rick Johnston, P.E.

REPRESENTING:

Upstream Exploration LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Upstream Exploration LLC ("Upstream") seeks to amend the field rules for the Van Meter (Yegua Cons) Field, Jasper and Hardin Counties, Texas. Upstream requests the Commission adopt a net gas-oil ratio with a daily gas limit to 1,500 thousand cubic feet ("mcf") of gas per day, adopt a tubing exception, and to cancel overproduction for all wells in the field. Upstream originally requested a daily gas limit of 1,000 mcf per day, but increased the request at the hearing. The technical examiner and administrative law judge ("Examiners") sent a letter to the operators in the field notifying them of the requested change from the provisions stated in the hearing notice. The operators in the field were given 10 days to respond if such a change as considered adverse. There were no responses. The application was not protested. The Examiners recommend the field rules be amended as requested by Upstream.

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. A hearing on the merits of the application was held on January 24, 2018.
3. At the hearing, Upstream amended their field rule request to increase the net gas-oil ratio daily gas limit from its original proposal of 1,000 mcf per day to 1,500 mcf per day.
 - a. On January 26, 2018, the Examiners sent a 10-day notice letter to the operators in the field informing them of Upstream's requested change to a gas-oil ratio daily gas limit of 1,500 mcf per day.
 - b. Operators in the field were given 10 days to respond if they considered the proposed change to be adverse.
 - c. No responses were received by January 5, 2018.
4. The Van Meter (Yegua Cons) Field was established by the consolidation of three other Yegua and Cook Mountain fields on February 4, 2014, in Oil & Gas Docket No. 03-0285037.
 - a. The field correlative interval is the depth interval from 8,797 feet to 10,910 feet.
 - b. The current field rules include certain provisions for horizontal wells.
 - c. The productive reservoirs within the field are limited by faulting to relatively small individual areal extent.
 - d. The productive reservoirs within the field are not candidates for horizontal well development.
 - e. The gas field allocation formula was suspended administratively on November 1, 2014.
5. There are three producing oil wells and five producing gas wells in the field. The wells are operated by Upstream and Whitehead Resources, Ltd.
6. The field consists of productive strata in the Yegua D-series and E-series sands.
 - a. The productive intervals are highly faulted.
 - b. Because of the faulting, no two wells produce from the same reservoir.

- c. Some of the individual reservoir units are developed with gas wells and others are developed with oil wells, based on the fluid characteristics of each reservoir unit.

7. In Oil & Gas Docket No. 03-0281245, signed on June 13, 2013, the Commission granted a maximum efficient rate allowable for the Jacques Lease, Well No. 2 (API No. 42-199-33346), allowing the production of up to 275 barrels of oil per day at a gas-oil ratio of 2,000 standard cubic feet ("scf") per barrel (550 mcf gas per day at 275 barrels of oil).

8. The Jacques Lease is currently overproduced for gas.
 - a. Jacques Lease Well No. 2 currently produces about 28 barrels of oil per day and 500 mcf gas.
 - i. The current field rules (2,000 scf gas per barrel of oil) limit gas production to 56 mcf gas.
 - b. Jacques Lease Well No. 3 currently produces about 18 barrels of oil per day and 1,072 mcf gas.
 - i. The current field rules (2,000 scf gas per barrel of oil) limit gas production to 36 mcf gas.
 - c. The Commission issued a certified letter on November 30, 2017, notifying Upstream that the Jacques Lease was overproduced 43,715 mcf of casinghead gas.

9. The Jacques Lease wells exhibit a flowing tubing pressure of about 200 pounds per square inch.
 - a. The tubing pressure is too low to perform rate sensitive testing.
 - b. The Jacques Lease wells are currently on gas lift production.
 - c. Reservoir gas and gas lift are required to produce liquid hydrocarbons from the well.
 - d. Gas wells in the field are currently authorized to produce under absolute open flow conditions.

10. Because each well in the field produces from a unique and finite reservoir, increased gas production in one well will not affect production in another well.

11. A net gas-oil ratio daily gas limit of 1,500 mcf per day will prevent waste and protect correlative rights.
12. A field rule provision allowing for a six month exception to Statewide Rule 13(b)(4)(A) will provide operators flexibility in the efficient management and production of wells.
13. Provisions in the existing field rules for horizontal wells are no longer necessary as those provisions are contained in the February 2016 amendments to Statewide Rule 86.
14. At the hearing, the applicant agreed on the record that a 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 and 1.45.
3. Amending the field rules as requested by Upstream will prevent waste and protect correlative rights.
4. Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed on February 27, 2018.

EXAMINERS' RECOMMENDATION

The Examiners recommend the field rules for the Van Meter (Yegua Cons) Field, Jasper and Hardin Counties, Texas, be amended as requested by Upstream.

Respectfully submitted,



Paul Dubois, P.E.
Technical Examiner



Kristi M. Reeve
Administrative Law Judge