RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7B-0314926

APPLICATION OF GUNN OIL COMPANY (339493) FOR A MER AND TO CANCEL OVERPRODUCTION FOR THE R&G FARMS (32252) LEASE, BRIDJOURNER FIELD, FISHER COUNTY, TEXAS

HEARD BY: Karl Caldwell, P.E. – Technical Examiner
Lynn Latombe – Administrative Law Judge

HEARING DATE: November 20, 2018
CONFERENCE DATE: January 23, 2019

APPEARANCES:	**REPRESENTING:**
Dale Miller	Gunn Oil Company
John Berryhill	
Lauren Martin	
Kris Humpert	
Gregg Norman	

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Gunn Oil Company ("Gunn") requests a maximum efficient rate ("MER") of 200 barrels of oil per day ("BOPD") for the R&G Farms (32252) Lease in the Bridjourner Field, and the cancellation of all overproduction. Notice of the application was provided to operators in the Bridjourner Field. The application is unprotested and the Administrative Law Judge and Technical Examiner (collectively, "Examiners"), recommend approval of the application.

DISCUSSION OF THE EVIDENCE

Gunn completed their R&G Farms Lease, Well No. 1 ("Well No. 1"), API No. 42-151-33098, in the Bridjourner Field (Field ID No. 11925500), on May 5, 2018. The top allowable for wells in the Bridjourner Field is 121 BOPD. Gunn has been consistently producing this well on an 8/64th-inch choke and asserts that this choke size is the best manner to continue to produce the well The initial potential test for Well No. 1, dated May

6, 2018, reported an oil rate of 170 BOPD, with no casinghead gas (0 Mcfd), and no water (0 bwpd), with the well initially brought on-line with a 7/64th-inch choke. The well was produced on a 7/64th-inch choke, with a flowing tubing pressure ("FTP") of 240 psi. On May 18, 2018, the choke size was increased to an 8/64th-inch choke due to slugging issues. The FTP of the well increased when it went to an 8/64th-inch choke and leveled out at 320 psi FTP.

A MER test was conducted between October 1, 2018 through October 17, 2018, going from an 8/64th inch choke down to a 6/64th-inch choke. On the 8/64th-inch choke, the daily average oil production was 180 BOPD with a FTP of 320 psi. From October 1 through October 6, the well was flowing on a 6/64th-inch choke and the FTP slightly increased from 320 psi to 335 psi. However, the production dropped approximately 75 BOPD, down to an average of 105 BOPD. The well was then produced on a 7/64th-inch choke and the FTP pressure declined 5 psi but the oil rate only increased approximately 25 BOPD, to an average of 130 BOPD, while the well still did not produce any gas or water.

Gunn asserts that the FTP of the well does not appear to be dependent on the choke size. To reduce the choke size from an 8/64th-inch to a 6/64th-inch choke had minimal impact on the FTP (only 15 psi difference), but had a drastic impact on the deliverability of the well. The oil production rate declined 42% and the pressure increased less than 5%. The choke was then changed to a 7/64th-inch choke on October 7, resulting in a decrease in FTP of 5 psi to 330 psi, with the oil rate only increasing 25 BOPD, from 105 BOPD up to 130 BOPD.

Based on a review of the production characteristics of the well, Gunn maintains that the most efficient manner to flow this well is on an 8/64th-inch choke. This reservoir is highly permeable and the well log shows the gross pay section is only approximately 13 feet thick. The well has consistently been producing oil in excess of the current 121 BOPD top allowable. Gunn has prudently been flowing the well 24 hours a day and wants to continue to produce the well in this manner for as long as possible to maximize oil recovery. To prevent the unnecessary shut-in of this wellbore, Gunn is requesting a maximum efficient rate of 200 BOPD. The well does not produce any casinghead gas or water; therefore, Gunn asserts there is no reason to pinch back the oil production. There is always a risk to the ultimate recovery of a well if the well is shut-in. To allow this well to produce at rates up to 200 BOPD will optimize the ultimate recovery of oil from this reservoir. Gunn asserts that this MER will allow this well to be produced in the most efficient manner possible to recover the maximum amount of recoverable oil reserves. Therefore, Gunn requests a MER of 200 BOPD per well for this lease to prevent waste, and all overproduction accrued on the R&G Farms Lease be cancelled.

Gunn agreed that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing, and no protests were received.

2. The current top oil allowable for the Bridjourner Field (Field ID No. 11925500) is 121 BOPD.

3. There is currently one well on the R&G Farms Lease, the R&G Farms Lease, Well No. 1.

   a. Gunn Oil completed their R&G Farms Lease, Well No. 1 ("Well No. 1"), API No. 42-151-33098, on May 5, 2018.

   b. The initial potential test for Well No. 1, dated May 6, 2018, reported a rate of 170 BOPD, with no casinghead gas (0 Mcfd), and no water (0 bwpd), with the well initially brought on-line with a 7/64th-inch choke.

4. A MER test was conducted between October 1, 2018 through October 17, 2018, going from an 8/64th-inch choke down to a 6/64th-inch choke.

   a. On the 8/64th-inch choke, the daily average oil production was 180 BOPD with a FTP of 320 psi.

   b. From October 1 through October 6, the well was flowing on a 6/64th-inch choke and the FTP slightly increased from 320 psi to 335 psi. However, the production dropped approximately 75 BOPD, down to an average of 105 BOPD.

   c. The well was then produced on a 7/64th-inch choke and the FTP pressure declined 5 psi, but the oil rate only increased approximately 25 BOPD, to an average of 130 BOPD, while the well still did not produce any gas or water.

5. The FTP of the well does not appear to be dependent on the choke size. Reducing the choke size from an 8/64th-inch to a 6/64th-inch choke had minimal impact on the FTP (only 15 psi difference), but had a drastic impact on the deliverability of the well. The oil production rate declined 42% and the pressure increased less than 5%.

6. Based on a review of the production characteristics of the well, Gunn maintains that the most efficient manner to flow this well is on an 8/64th-inch choke.

   a. Presently the top allowable for this well is 121 BOPD.

b. To prevent the unnecessary shut-in of this wellbore, Gunn is requesting a maximum efficient rate of 200 BOPD.

7. The R&G Farms Lease, Well No. 1 does not produce any casinghead gas or water. Therefore, Gunn asserts there is no reason to pinch back the oil production as there is a risk to the ultimate recovery of a well if it were to be shut-in. A 200 BOPD MER will allow this well to be produced in the most efficient manner possible to recover the maximum amount of recoverable oil reserves.

8. Gunn requests a MER of 200 BOPD per well for this lease to prevent waste, and all overproduction accrued on the R&G Farms Lease be cancelled.

9. Gunn agreed that pursuant to the provisions of Texas Government Code §2001.144(a)(4)(A), this Final Order shall be effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice was issued as required by all applicable statutes and regulatory codes.

2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.

3. Approval of a MER of 200 BOPD for wells on the R&G Farms Lease completed in the Bridjourner Field, and cancellation of overproduction will prevent waste.

4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code, and the consent of the applicant, this Final Order is final and effective when a Master Order relating to this Final Order is signed.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend granting a MER of 200 BOPD for wells on the R&G Farms (32252) Lease completed in the Bridjourner Field and cancellation of all overproduction..

Respectfully submitted,

Karl Caldwell, P.E.
Technical Examiner

Lynn Latombe
Administrative Law Judge