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DIRECTOR

RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0313783

APPLICATION OF HILCORP ENERGY COMPANY (386310) FOR AN INCREASED MER AND CANCELLATION OF OVERPRODUCTION FOR THE SUNSET B (27369) LEASE, WELL NO. 1, SUNSET (FRIO 8230) FIELD, JEFFERSON COUNTY, TEXAS

HEARD BY: Petar Buva – Technical Examiner
Clayton J. Hoover – Administrative Law Judge

HEARING DATE: November 30, 2018
CONFERENCE DATE: January 23, 2018

APPEARANCES: Dale Miller
REPRESENTING: Hilcorp Energy Company

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Hilcorp Energy Company (386310) ("Hilcorp") requests to increase the oil allowable for the Sunset B (27369) Lease, Well No. 1, from 133 barrels of oil per day ("BOPD") to 200 BOPD in the Sunset (Frio 8230) Field and cancel overproduction. There are no other operators in the field. The application is unopposed and the Administrative Law Judge and Technical Examiner (collectively, "Examiners"), recommend approval of the application.

DISCUSSION OF THE EVIDENCE

Hilcorp completed Well No.1, Sunset B Lease, on April 21, 2018. The Well No. 1 is currently producing on an open choke.

The initial potential test for the Well No. 1, dated May 1, 2018, shows the producing rates were 879 BODP, gas production of 0 thousand cubic feet per day ("MCFPD"), and

94 barrels of water per day ("BWPD"). The reservoir is highly permeable, and the logs shows the gross producing section is approximately 34 feet thick on the Well No. 1.

Presently the allowable for this well is 133 BOPD and 266 MCFPD. The well has consistently been producing oil in excess of the top allowable since the beginning of production. Hilcorp is producing the well on gas lift 24 hours a day and wants to continue to produce the well in this manner for as long as possible. The water cut on the well has steadily been increasing since inception of production and the choke had to be open to allow the gas lift valves to work effectively.

To prevent the unnecessary shut-in of this wellbore, Hilcorp is requesting to be granted a 200 BODP top allowable per well with a 400 MCFPD daily gas limit in place for the well. There is always a risk of losing productive performance of a well when it is shut-in to comply with allowable. To allow these wells to produce at rates up to 200 BOPD should provide for optimizing the recovery from this reservoir. This will allow this well to produce in the most efficient manner possible to recover the maximum amount of recoverable reserves. Presently Well No. 1 makes 177 BOPD on average with an open choke, but it is possible that the oil production rate may still increase with the continued utilization of gas lift over the remaining life of the well.

With adoption of the requested increase in the daily oil and gas allowable, Hilcorp is requesting that all overproduction accrued on Sunset B Lease be cancelled.

Hilcorp 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. Hilcorp is the only operator in the field and no protests were received.
2. Sunset B Lease, Well No. 1 was completed on April 21, 2018.
3. The initial potential test for Well No. 1, dated May 1, 2018, shows the rates of 879 BOPD, 0 MCFPD, and 94 BWPD.
4. The current daily allowable for Well No. 1 is 133 barrels of oil and 266 MCF of gas.
5. To prevent waste, Hilcorp is requesting to be granted a 200 BOPD and 400 MCFPD allowable for Well No. 1, Sunset B Lease.
6. Hilcorp agreed in writing and on the record, 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 and 400 MCFPD for the Well No. 1, Sunset B Lease, and cancellation of overproduction will prevent waste.
4. Pursuant to §2001.144(a)(4)(A) of the Texas Government Code and by agreement of the parties in writing or on the record, the Final Order can be 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 a MER of 200 BOPD and 400 MCFPD for the Well No. 1, Sunset B Lease, and cancellation of overproduction.

Respectfully submitted,



Petar Buva
Technical Examiner



Clayton J. Hoover
Administrative Law Judge