**OIL AND GAS DOCKET NO. 03-0313784**

**APPLICATION OF HILCORP ENERGY COMPANY (386310) FOR AN INCREASED MER AND A NET GAS-OIL RATIO AND THE CANCELLATION OF OVERPRODUCTION FOR THE MONROE CITY RANCH (26897) LEASE, WELL NO. 1, MIDDELTON RANCH FIELD, CHAMBERS 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:** **REPRESENTING:**

 Dale Miller Hilcorp Energy Company

**EXAMINERS’ REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

 Hilcorp Energy Company (386310) (“Hilcorp”) requests cancellation of overproduction for the Monroe City Ranch (26897) Lease, Well No. 1, in the Middleton Ranch Field, Chambers County, Texas. Additionally, Hilcorp requested an increase in the oil allowable from 287 barrels of oil per day (“BOPD”) and 574 thousand cubic feet of gas per day (“MCFPD”) to 650 BOPD and 1,300 MCFPD, but the well sanded up and is going to be plugged and abandoned. There are no other operators in the field. The application is unprotested and the Administrative Law Judge and Technical Examiner (collectively, “Examiners”), recommend approval of the application.

**DISCUSSION OF THE EVIDENCE**

Hilcorp completed Well No.1, Monroe City Ranch Lease, on May 6, 2015. Currently the Well No. 1 has lost its productive ability due to sand production issues.

Presently the top allowable for the well is 287 BOPD and 574 MCFPD. The well has been producing oil in access of current allowable since April of 2018. On October 16, 2018 the well sanded up completely, so the well is temporary abandoned and will be plugged accordingly. The reservoir is highly permeable, and the logs shows the gross producing section is approximately 53 feet thick, so a new well is planned to be drilled into this reservoir to secure the remaining recoverable reserves.

Hilcorp is requesting cancellation of the overproduction on the Well No. 1. Hillcorp’s initial request for an increase in the oil allowable is no longer applicable since the well will be plugged and abandoned. The well had a history of producing large amounts of sand. The operator fought sand production issues, however produced sand is too fine for the proppant and sand separator and travels through the wellbore and the production equipment. The operator is planning to drill a new well into this reservoir to secure the remaining recoverable reserves.

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. Monroe City Ranch Lease, Well No. 1 was completed on May 6, 2015.
3. Current allowable for Well No. 1 is 287 BOPD, and 574 MCFPD.

1. Hillcorp requests cancellation of overproduction and increase in the oil allowable for from 287 barrels of oil per day (“BOPD”) and 574 thousand cubic feet of gas per day (“MCFPD”) to 6540 BOPD and 1,300 MCFPD.
2. Well No. 1 has lost its productive ability due to sand production issues.
3. Hilcorp plans to plug and abandon Well No. 1, and the request for increase in the oil allowable is no longer applicable.
4. 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 cancellation of overproduction will bring about the administrative compliance and allow for potential future production from the field.
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 cancellation of overproduction for the Well No. 1, Monroe City Ranch Lease.

Respectfully submitted,

 Petar Buva Clayton J. Hoover

 Technical Examiner Administrative Law Judge