



RAILROAD COMMISSION OF TEXAS HEARINGS DIVISION

OIL & GAS DOCKET NO. 02-0318762

APPLICATION OF ACOCK/ANAQUA OPERATING CO., LP (003599) TO CONSIDER GRANTING A NET GOR FOR THE VANDENBERG (08999) LEASE, WELL NO. 53, PLACEDO (6910 SAND) FIELD, VICTORIA COUNTY, TEXAS

HEARD BY: John L. Moore, Technical Examiner
Ezra A. Johnson, Administrative Law Judge
(collectively "Examiners")

HEARING DATE: June 14, 2019

CONFERENCE DATE: August 6, 2019

APPEARANCES: Dale Miller, Graduate Engineer
Acock/Anaqua Operating Co., LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Acock/Anaqua Operating Co., LP (003599) ("A/A") seeks a net gas-oil ratio ("Net GOR") with a daily casinghead gas limit of 500 thousand cubic feet per day ("Mcf/d") and the cancellation of overproduction for the Vandenberg (08999) Lease, Well No. 53, in the Placedo (6910 Sand) Field ("Field"), Victoria County, Texas. The June 2019 proration schedule reflects that the Field is a two-well field, with A/A as the sole operator in the Field. The oil production from Well No. 53 ("Well") is being limited to 17 barrels of oil per day ("bpd") by the Well's producing gas-oil ratio. The well is presently producing with less than a two-percent (2%) oil cut, and has been placed on artificial lift. Implementing a daily gas limit of 500 Mcfd will potentially increase the ultimate recovery of hydrocarbons from the well, thus preventing waste, while protecting correlative rights. The Examiners recommend the application for the cancellation of accrued overproduction and the Net GOR daily gas limit of 500 Mcfd be approved, as requested by A/A.

DISCUSSION OF THE EVIDENCE

The Placedo (6910 Sand) Field is a two-well field containing Well No. 39 and Well No. 53, where A/A is the sole operator. The Field was discovered in 1984 and is subject to statewide field rules. The oil allowable is 111 barrels of oil per day ("bopd") and the

daily gas limit is 222 thousand cubic feet per day ("Mcf"). The Well No. 53 potential test indicated a daily test volume of 27 bopd and a gas/oil ratio of 12,851 thousand cubic feet per barrel of oil.

A/A has attempted to keep the Well 53 producing to maximize the ultimate recovery of hydrocarbons and prevent waste. Production records show that oil production rates have been declining while casinghead gas and water production rates have been increasing. As a result, the No. 53 Well has overproduced its allowable. Currently the well is producing less than 5 bopd, greater than 350 Mcfd of casinghead gas and greater than 470 barrels of water per day. Given this production trend, the No. 53 Well may reach classification as a statutory gas well. A/A placed the well on gas lift on June 26, 2019, to improve the well's performance.

The No. 53 Well was tested on May 23, 2019. The well was initially flowing on a 64/64-inch choke. When the choke was reduced to a 48/64-inch choke, all production from the well ceased. The choke was returned to 64/64-inch, and gas lift was initiated to unload the well and get it flowing. The gas lift valves were then shut off and the well continued to flow, albeit at water production rates in excess of 370 barrels of water per day. The well has since been on gas lift since June 26, 2019 to maintain hydrocarbon production with a continued high volume of water production.

FINDINGS OF FACT

1. A/A seeks a net gas-oil ratio with a daily casinghead gas limit of 500 Mcfd and the cancellation of overproduction for the Vandenberg Lease, Well No. 53, in the Placedo (6910 Sand) Field, Victoria County, Texas.
2. A/A submitted its request for hearing to consider establishing a Net GOR with a daily casinghead gas limit of 500 Mcfd on March 12, 2019.
3. On May 8, 2019 the Hearings Division of the Commission sent a Joint Notice of Hearing ("Notice") to Applicant and all offsetting operators in the field setting a hearing date of June 14, 2019. Consequently, the parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted. The hearing was held on June 14, 2019 as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
4. The Placedo (6910 Sand) Field is a two-well field containing Well No. 39 and Well No. 53, where A/A is the sole operator.
5. During the testing of Well No. 53 on May 23, 2019, reducing the choke from 64/64 inch to 48/64 inch caused the well to load with fluids and all production ceased. Returning the choke size to 64/64 inch and initiating gas lift allowed the well to

unload fluids from the wellbore and continue production, albeit at high water production rates in excess of 370 barrels of water per day. The well was put on permanent gas lift operations on June 26, 2019.

6. Well No. 53 produces at a high gas-oil ratio and with high water volumes. Implementing a daily gas limit of 500 Mcfd and cancelling the overproduction will allow the well to stabilize and increase the ultimate recovery of hydrocarbons from the well, while protecting correlative rights.
7. At the hearing, A/A agreed on the record that the Final Order in this docketed case is to be final and effective when a Master Order relating to this Final Order is signed.

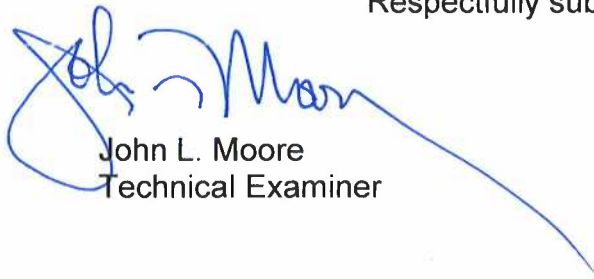
CONCLUSIONS OF LAW

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. Implementing a daily gas limit of 500 Mcfd will potentially increase the ultimate recovery of hydrocarbons from Well No. 53, thus preventing waste, while protecting correlative rights.
4. Pursuant to § 2001.144(a)(4)(A), of the Texas Government code, and the agreement of the applicant, the Final Order in this docket is effective when a Master Order relating to the Final Order is signed on August 6, 2019.

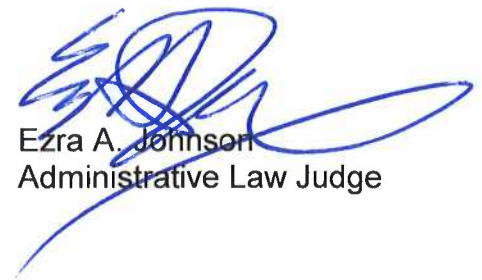
EXAMINERS' RECOMMENDATION

The Examiner's recommend that A/A's application for a Net GOR daily gas limit of 500 Mcfd for the Well No. 53 in the Placedo (6910 Sand) Field and the cancellation of overproduction, be approved.

Respectfully submitted,



John L. Moore
Technical Examiner



Ezra A. Johnson
Administrative Law Judge