



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0316170

APPLICATION OF ATLAS OPERATING LLC (036587) FOR A MAXIMUM EFFICIENT RATE (MER) ALLOWABLE AND CANCELLATION OF OVERPRODUCTION FOR THE BEECH CREEK A (25402) LEASE, WELL NO. 2, BEECH CREEK (YEGUA 5-A) FIELD, HARDIN COUNTY, TEXAS

HEARD BY: Robert Musick, P.G. – Technical Examiner
Kristi M. Reeve – Administrative Law Judge

HEARING DATE: May 6, 2019

CONFERENCE DATE: August 20, 2019

APPEARANCES:

Applicant

Zafar Ullah (Engineer)

REPRESENTING:

Atlas Operating LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Atlas Operating LLC ("Atlas") is seeking a maximum efficient rate ("MER") allowable of 175 barrels of oil per day ("BOPD") for the Beech Creek A (25402) Lease, Well No. 2, in the Beech Creek (Yegua 5-A) Field ("Field"), Hardin County, Texas. Atlas is also requesting that accumulated overproduction on the Beech Creek A Lease ("Lease") be canceled.

The application was not protested. The technical examiner and the administrative law judge (collectively "Examiners") recommend that the application be granted as requested.

DISCUSSION OF THE EVIDENCE

The Field (No. 06755222) was discovered on November 23, 1987. Based on the oil proration schedule, the Field is observed beneath the Lease at about 6,728 feet deep. Casinghead gas production has increased over the life of the Field because of a decrease in reservoir pressure which inhibits oil recovery.

The top oil allowable for the Field is 111 BOPD based on the 1947 allowable yard stick with a 100% land allocation formula. The May 2019, oil proration schedule indicates a statewide rule net GOR of 2,000 standard cubic feet ("SCF") of casinghead gas per barrel of oil, or 2,000:1 SCF/Barrel, is established for the Field. The oil proration schedule indicates the cumulative oil production for the Field as of May 2019 is 417,556 barrels of oil ("BO"). Oil gravity is 39.7 degrees. Based on the oil proration schedule, Atlas is the only active P-5 operator in the oil Field.

The Lease has one oil well identified as Well No. 2 (API No. 42-199-33096) ("Well No. 2"), that is completed to a depth of 7,690 feet. Well No. 2 intersects the Field at 6,740 feet below ground surface. No correlative interval has been established for the Field.

On September 28, 2018 and October 31, 2018, correspondence from the Commission was sent to Atlas regarding overproduction on the Lease. The Commission's letter outlined the intent to cancel the P-4 for the Lease because of overproduction.

Atlas responded with a letter dated October 19, 2018, requesting a hearing. In the letter, Atlas requested an MER oil allowable of 175 BOPD. The 175 BOPD will establish a net GOR with a daily gas limit of 350 thousand cubic feet per day ("Mcfpd"). In addition, Atlas requested at the hearing cancellation of overproduction for Well No. 2. Atlas indicates in correspondence dated May 15, 2019, accumulated overproduction from June 2018 to May 6, 2019 is 8,915 BO.

On November 8, 2018, the Hearings Division requested a step-rate test be performed on Well No. 2, to demonstrate efficient production volumes when recovered at volumes proximal to the proposed MER of 175 BOPD.

A Notice of Hearing was issued by the Commission on April 10, 2019, to all parties entitled to notice, at least ten days prior to the date of the hearing. No protest was received from the Notice of Hearing.

A hearing was held on May 6, 2019. At the hearing, testimony indicates that the hearing notice was specific to the MER for the Lease. In the hearing, Atlas requested cancellation of overproduction from the Lease. The Commission addressed this discrepancy in a supplemental notice dated May 29, 2019, giving the persons on the service list an opportunity to protest, object or request a hearing. No response was received by the deadline of June 10, 2019. Therefore, no protest, objections or request for a hearing continuance was received from the initial or supplemental notice.

The hearing record indicates a step-rate test was performed by Atlas as requested by the Commission in a letter dated November 8, 2018. Atlas conducted three step-rate tests from March 1, 2019 to April 4, 2019, with each test changing the chock size to establish the MER for oil recovery. During the step-rate tests, Atlas varied the chock on Well No. 2 and the results are as follows:

- Choke size 26/64th of an inch - the average oil production recorded was 116 BOPD and the GOR for the test was at 0.832;
- Choke size 27/64th of an inch - the average oil production recorded was 137 BOPD and the GOR for the test was 0.802;
- Chock size 28/64th of an inch - the average oil production recorded was 164 BOPD and the GOR for the test was 0.702.

Atlas determined that the MER for oil recovery from Well No. 2 is based on a 28/64th inch choke size with a MER at 175 BOPD.

Atlas testified that producing oil from Well No. 2 in this Field at the requested MER is necessary to effectively recover the remaining oil reserves on the Lease.

The Examiners recommend approval of the requested MER oil allowable and cancellation of over-production from Well No. 2.

FINDINGS OF FACT

1. Atlas Operating LLC ("Atlas") is seeking a maximum efficient rate ("MER") allowable of 175 barrels of oil per day ("BOPD") for the Beech Creek A (25402) Lease, Well No. 2, in the Beech Creek (Yegua 5-A) Field ("Field"), Hardin County, Texas. Atlas is also requesting that accumulated overproduction on the Beech Creek A Lease ("Lease") be canceled.
2. On September 28, 2018 and October 31, 2018, correspondence from the Commission was sent to Atlas regarding overproduction on the Lease. The Commission's letter outlined the intent to cancel the Commission's Form P-4 for the Lease because of overproduction.
3. Atlas sent a letter dated October 19, 2018, requesting a hearing.
4. On November 8, 2018, the Hearings Division requested a step-rate test to be performed on Well No. 2, to demonstrate efficient production volumes when recovered at volumes proximal to the proposed MER of 175 BOPD.

5. A Notice of Hearing was issued by the Commission on April 10, 2019, to all parties entitled to notice, at least ten days prior to the date of the hearing. No protest was received from the Notice of Hearing ("Notice").
6. A hearing was held on May 6, 2019.
7. In the May 6, 2019 hearing, Atlas requested cancellation of overproduction from the Lease.
8. A supplemental notice dated May 29, 2019, was sent to the service list for the docket. No protest, objections or request for a hearing continuance was received from the supplemental notice.
9. The Field (No. 06755222) was discovered on November 23, 1987. The Field is observed beneath the Lease at about 6,728 feet deep.
10. The Lease has one oil well identified as Well No. 2 (API No. 42-199-33096) ("Well No. 2"), that is completed to a depth of 7,690 feet and is perforated in the Field.
11. The May 2019 oil proration schedule indicates the cumulative oil production for the Field is 417,556 barrels of oil ("BO"). The oil proration schedule identifies the top oil allowable for the Field is 111 BOPD and the net GOR for the Field is based on statewide rule of 2,000 standard cubic feet ("SCF") of casinghead gas per barrel of oil, or 2,000:1 SCF/Barrel.
12. Atlas indicates in correspondence dated May 15, 2019, accumulated overproduction from June 2018 to May 6, 2019 is 8,915 BO.
13. The hearing record indicates a step-rate test was performed by Atlas as requested by the Commission in a letter dated November 8, 2018. Atlas conducted three step-rate tests from March 1, 2019 to April 4, 2019, with each test changing the chock size to establish the MER for oil recovery. During the step-rate tests, Atlas varied the chock on Well No. 2 and the results are as follows:
 - a. Choke size 26/64th of an inch - the average oil production recorded was 116 BOPD and the GOR for the test was at 0.832;
 - b. Choke size 27/64th of an inch - the average oil production recorded was 137 BOPD and the GOR for the test was 0.802;
 - c. Chock size 28/64th of an inch - the average oil production recorded was 164 BOPD and the GOR for the test was 0.702.
14. Well data in the hearing record indicates the maximum oil production rate observed from Well No. 2 ranges from a low of 93 BOPD to a high of 164 BOPD.

15. Atlas testified that producing oil from Well No. 2 in this Field at the requested MER is necessary to effectively recover the remaining oil reserves on the Lease.
16. Cancellation of the overage for the Lease is proper to prevent having to shut-in Well No. 2.
17. At the hearing, the applicant agreed on the record that the 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 §§ 1.43 and 1.45.
3. 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 the Final Order signed at Conference.

RECOMMENDATION

Based on the above findings of facts and conclusions of law, the Examiners recommend that the Commission enter an order granting the application of Atlas Operating LLC ("Atlas") for a MER oil allowable of 175 BOPD and cancel all over-production for the Beech Creek A Lease, Well No. 2, in the Beech Creek (Yegua 5-A) Field, Hardin County, Texas.

Respectfully submitted,



Robert Musick, P.G.
Technical Hearings Examiner



Kristi M. Reeve
Administrative Law Judge