



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7B-0278211

THE APPLICATION OF NEWARK E&P OPERATING, LLC TO CONSIDER INCREASED NET GAS-OIL RATIO AUTHORITY FOR THE KILGUST LEASE, WELL NO. 1, ORAN (MARBLE FALLS) FIELD, PALO PINTO COUNTY, TEXAS

HEARD BY: Brian Fancher, P.G. - Technical Examiner
Terry Johnson - Legal Examiner

HEARING DATE: October 30, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale E. Miller

Newark E&P Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Newark E&P Operating, LLC ("Newark") requests authority to produce its Kilgust Lease, Well No. 1, under increased net gas-oil ratio authority with a casinghead gas limit of 200 MCFGPD. Newark also requests that all overproduction for the well be canceled.

This application is unopposed and the examiners recommend approval of the increased net gas-oil ratio authority with a casinghead gas limit of 200 MCFGPD and cancellation of the well's overproduction.

DISCUSSION OF EVIDENCE

The Oran (Marble Falls) Field was discovered in June 1979 at a depth of 4,800 feet. The field is classified as associated and has 6 producing oil wells, no producing gas wells and four operators carried on the proration schedules. The field operates under Field Rules providing for 330'-933' well spacing, 20 acre oil units and allocation based on 100% acres. The top oil allowable is 48 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel and a daily casinghead gas limit of 96 MCFG. Cumulative production from the field through October 2012 is 46.8 MBO and 717.6 MMCFG.

The Kilgust Lease, Well No. 1, was completed in the Marble Falls formation in February 2012 with perforations from 4,612 feet to 4,878 feet. On initial test, the well produced pumping at a rate of 2 BOPD, 10 MCFGPD and 434 BWPD. The initial GOR was 5,000 cubic feet per barrel. The field is an undersaturated oil reservoir with a strong water drive as the primary drive mechanism. The current producing rate is 36 BOPD, 159 MCFGPD and 365 BWPD with a GOR of 4,417. Since the well is producing with over a 90% water cut, the well is in the last stage of depletion.

The Kilgust Lease, Well No. 1, is not rate sensitive and Newark believes that oil will be left behind in the reservoir if the gas production is curtailed, allowing the strong water drive to prematurely invade the oil zone. In order to maximize production and prevent waste, Newark requests an increased net gas-oil ratio authority with a casinghead gas limit of 200 MCFGPD be approved. This will also allow for the depletion of the reservoir without any reservoir damage, prevent oil from being left behind in the formation if the gas production is curtailed and increase the ultimate recovery from the well.

Through September 2012, the Kilgust Lease, Well No. 1, is over-produced 3,284 BO and 12,747 MCFG. Newark requests that the overage for the well be cancelled.

FINDINGS OF FACT

1. Notice of this hearing was given to all parties entitled to notice at least ten days prior to the date of hearing.
2. The Oran (Marble Falls) Field was discovered in June 1979 at a depth of 4,800 feet.
 - a. The field is classified as associated and has 6 producing oil wells, no producing gas wells and four operators carried on the proration schedules.
 - b. The field operates under Field Rules providing for 330'-933' well spacing, 20 acre oil units and allocation based on 100% acres.
 - c. The top oil allowable is 48 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel and a daily casinghead gas limit of 96 MCFG.
3. The Kilgust Lease, Well No. 1, was completed in the Marble Falls formation in February 2012 with perforations from 4,612 feet to 4,878 feet. On initial test, the well produced pumping at a rate of 2 BOPD, 10 MCFGPD and 434 BWPD. The initial GOR was 5,000 cubic feet per barrel.
4. The Oran (Marble Falls) Field is an undersaturated oil reservoir with a strong water drive as the primary drive mechanism.

- a. The current producing rate for the Kilgust Lease, Well No. 1, is 36 BOPD, 159 MCFGPD and 365 BWPD with a GOR of 4,417.
 - b. Since the Kilgust Lease, Well No. 1, is producing with over a 90% water cut, the well is in the last stage of depletion.
 - c. The Kilgust Lease, Well No. 1, is not rate sensitive.
 - d. Oil will be left behind in the reservoir if the gas production is curtailed allowing the strong water drive to prematurely invade the oil zone.
5. Producing the Kilgust Lease, Well No. 1, at gas rates up to 200 MCFGPD will not cause waste.
 6. Through September 2012, the Kilgust Lease, Well No. 1, is over-produced 3,284 BO and 12,747 MCFG.

CONCLUSIONS OF LAW

1. Notice of this hearing was given as specified in the provisions of all regulatory codes.
2. All things have occurred or been accomplished to give the Commission jurisdiction in this matter.
3. Approval of the increased net gas-oil ratio authority with a casinghead gas limit of 200 MCFGPD for the Kilgust Lease, Well No. 1, in the Oran (Marble Falls) Field and cancellation of the well's overproduction will not cause waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission authorize the Kilgust Lease, Well No. 1, in the Oran (Marble Falls) Field to produce under net gas-oil ratio authority with a casinghead gas limit of 200 MCFGPD and that all accumulated overproduction for the well be canceled, as requested by Newark E&P Operating, LLC.

Respectfully submitted,

Brian Fancher
Brian Fancher, P.G.
Technical Examiner

Terry Johnson
Terry Johnson
Legal Examiner