



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET No. 02-0304428

THE APPLICATION OF MARATHON OIL EF LLC FOR PERMANENT GAS WELL CLASSIFICATION FOR VARIOUS WELLS, EAGLEVILLE (EAGLE FORD-2) FIELD, ATASCOSA, DE WITT, DIMMIT, FAYETTE, FRIO, GONZALES, KARNES, LA SALLE, LAVACA, LIVE OAK, McMULLEN, WILSON AND ZAVALA COUNTIES, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Ryan Lammert– Administrative Law Judge

REPORT AND RECOMMENDATION PREPARED BY: Karl Caldwell – Technical Examiner
Kristi M. Reeve– Administrative Law Judge

HEARING DATE: June 23, 2017
RECORD CLOSED: February 20, 2018
CONFERENCE DATE: March 20, 2018

APPEARANCES:

REPRESENTING:

APPLICANT:

James M. Clark, P.E.
Jonathon Travis
Ross Robinson

Marathon Oil EF, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of Marathon Oil EF, LLC (Marathon) to reclassify forty-three (43) oil wells as gas wells in the Eagleville (Eagle Ford-2) Field, Atascosa, De Witt, Dimmit, Fayette, Frio, Gonzales, Karnes, La Salle, Lavaca, Live Oak, McMullen, Wilson and Zavala Counties, Texas. Marathon had originally requested to reclassify a total of 68 wells but has withdrawn a total of 25 wells and now requests to reclassify 43 oil wells as permanent gas wells, retroactive. The field rules for the Eagleville (Eagle Ford-2) Field allow for permanent gas well classification from the date of initial completion based on a 3,000:1 gas to oil ratio (GOR). The application was not protested. At the hearing the Technical

Examiner and Administrative Law Judge (collectively, "Examiners") proposed to take official notice of Oil and Gas Docket No. 02-0297714 and the Form W-2's for each of the wells requested to be reclassified and the Applicant did not object. The Examiners recommend approval of the application.

DISCUSSION OF THE EVIDENCE

On February 28, 2017, the Commission issued a Final Order in Oil and Gas Docket No. 02-0297714, the application of Devon Energy Production Co., L.P. (Devon) to amend the field rules for the Eagleville (Eagle Ford-2) Field, which included authorizing permanent gas well classification for wells meeting certain criteria. In the matter of Docket No. 02-0297714, Devon sought to adopt a means of permanently classifying wells as gas wells based on a 3,000:1 or greater GOR at initial completion as had been previously adopted in other nearby Eagleford fields, including the adjoining DeWitt (Eagle Ford Shale) and Sugarkane (Eagle Ford) Fields.

The subject wells were permitted, drilled and completed as oil wells. Marathon's expert engineering witness, James Clark, P.E., stated the wells Marathon is requesting to reclassify from oil wells to gas wells should have initially been classified as gas wells. In Mr. Clark's expert opinion, these wells are all retrograde condensate wells. Marathon now seeks to have the forty-three (43) oil wells listed in Attachment A to be reclassified as gas wells under the existing field rules established by the Commission in Oil and Gas Docket No. 02-0297714. Marathon provided daily production data as evidence to support these wells achieving a stabilized GOR of 3,000:1 or greater early in the life of the well.

A review of the daily production data for the 43 wells Marathon is requesting to reclassify from oil wells to gas wells shows the wells were completed with a stabilized GOR of 3,000 cubic feet per barrel or greater, early in the life of the well. Additionally, Form W-2 for 38 of the 43 wells indicated a GOR of 3,000:1 or greater on an initial potential (IP) test. The Form W-2 on the remaining 5 wells reported a GOR less than 3,000, but the early stabilized production data indicates these 5 wells had achieved a stabilized GOR at or above 3,000 early in the life of the well. The production characteristics early in the life of the well for each of the 5 wells are summarized below.

Ann Friar Thomas Lease, Well No. 6H (API No.:42-123-32715)

The IP test as reported on Form W-2 for the Ann Friar Thomas Lease, Well No. 6H was conducted on July 15, 2012 with a 24-hour test of 864 BOPD, 2,328 Mcfd, with a GOR of 2,694. However, the daily production recorded for July 15, 2012 shows 284 BOPD, 2,328 Mcfd, with a GOR of 8,197. In addition, the daily production data for July 14, 2012, the day prior to the IP test to be 641 BOPD, 2,500 Mcfd, a GOR of 3,900. The daily production data for July 16, 2012, the day after the IP test was 430 BOPD, 2,328 Mcfd, a GOR of 5414. Therefore, it appears there was a data entry error in the production data reported for the IP test, as there does not appear to be a 24-hour period that

would include production on July 15, 2012 that would result in the reported GOR of 2,694. This highlights the importance of having the underlying daily production data to support the numbers submitted on Form W-2 if requested to be used to classify or reclassify an oil well to a gas well. A review of the daily production plot for the well indicates the well stabilized early in the life of the well at a GOR of approximately 6,500:1.

Blackjack Unit "B" Lease, Well No. 2H (42-255-32386)

The IP test as reported on Form W-2 for the Blackjack Unit "B" Lease, Well No. 2H was conducted on July 31, 2012 with a 24-hour test of 1,070 BOPD, 2,962 Mcfd, with a GOR of 2,768. However, the daily production rates do not appear to be stable during this time period, as evidenced by the GOR for the well fluctuating between 2,494 and 4,252 the two days following the IP test date. The well was subsequently shut in between August 7, 2012 and August 13, 2012, and again on August 22, 2012. The well was not shut in again for several months. During this continuous flow period early in the life of the well the GOR appeared to stabilize at a GOR of around 3,700:1.

Hamilton Lease, Well No. 2H (API No. 42-297-35294)

The IP test as reported on Form W-2 for the Hamilton Lease, Well No. 2H was conducted on December 3, 2013 with a 24-hour test of 730 BOPD, 2,083 Mcfd, a GOR of 2,853, and 410 barrels of water per day (bwpd). However, at the time of the IP test, it appeared that the well was still flowing back large volumes of frac load water. The well was completed on November 5, 2013 in 14 total frac stages with 12,205 bbl of fluid pumped. Daily production rate data for the well commenced on November 27, 2013, 6 days prior to the IP test, when the well flowed back 1,046 bwpd. The daily water production steadily declined from 1,046 bwpd to less than 100 bwpd by the end of December 2013, approximately 60 days from initial completion. From this point, the daily well production appeared to be relatively stable, at a producing GOR of 3,000:1.

McCoy Unit A, Well No. 2H (API No. 42-297-35180)

The IP test as reported on Form W-2 for the McCoy Unit A, Well No. 2H was conducted on October 24, 2012 with a 24-hour test of 739 BOPD, 2,152 Mcfd, a GOR of 2,912 and 780 bwpd. However, it appeared that the well was still flowing back large volumes of frac load water at the time of the IP test. The well was completed on October 20, 2012 in 13 total frac stages with 58,712 bbl of fluid pumped, 4 days before the IP test was conducted. The daily production data reported for the well commenced on October 20, 2012, when the well flowed back 1,159 bwpd. The daily water production steadily declined from 1,159 bwpd to approximately 200 bwpd within 2 weeks after first production, however water production was only reported for a total of 3 days between November 6, 2012 and December 22, 2012. In addition, the well appears to have been shut-in on November 22, 2012. Once a well is shut-in it may take months for the well to stabilize. Water production resumed being reported with oil and gas production on

December 22, 2012, approximately 60 days after first production. Based on a review of the production data, the well appeared to stabilize at a GOR at or above 3,000:1 early in the life of the well.

McCoy Unit A, Well No. 3H (API No. 42-297-35181)

The IP test data as reported on Form W-2 for the McCoy Unit A, Well No. 2H was conducted on October 23, 2012 with a 24-hour test of 569 BOPD, 1,515 Mcfd, a GOR of 2,662 and 987 bwpd. However, it appeared that the well was still flowing back large volumes of frac load water at the time of the IP test. The well was completed on October 20, 2012 in 21 total frac stages with 96,200 bbl of fluid pumped, 3 days before the IP test was conducted. The daily production data reported for the well commenced on October 20, 2012, when the well flowed back 1,603 bwpd. The daily water production steadily declined from 1,603 bwpd to 232 bwpd within 2 weeks after first production, however water production was only reported for a total of 3 days between November 6, 2012 and December 22, 2012. In addition, the well appears to have been shut-in on November 22, 2012. Once a well is shut-in it may take months for the well to stabilize. Water production resumed being reported with oil and gas production on December 22, 2012, approximately 60 days after first production. Based on a review of the production data, the well appeared to stabilize at a GOR at or above 3,000:1 early in the life of the well.

FINDINGS OF FACT

1. Notice of this hearing was given to all operators in the field at least ten days' prior to the date of hearing. There were no protests to the application.
2. On February 28, 2017, the Commission issued a Final Order in Oil and Gas Docket No. 02-0297714, authorizing the permanent classification of gas wells for wells in the Eagleville (Eagle Ford-2) Field completed with a gas-oil ratio (GOR) of 3,000 cubic feet per barrel and above.
3. Marathon has demonstrated the 43 subject wells were completed with a GOR of 3,000 cubic feet per barrel or greater, based on stabilized production rates early in the life of the wells.

CONCLUSIONS OF LAW

1. 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. The 43 subject wells meet the requirements of the Eagleville (Eagle Ford-2) Field Rules to be permanently classified as gas wells, effective the date of first production.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission grant the request of Marathon to reclassify 43 wells listed in Attachment A as gas wells, effective the date of initial completion.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Kristi M. Reeve
Administrative Law Judge

ATTACHMENT A: WELL RECLASSIFICATION LIST

	Well	API No.	County
1	Ann Friar Thomas #1H	42-123-32387	De Witt
2	Ann Friar Thomas #2H	42-123-32651	De Witt
3	Ann Friar Thomas #3H	42-123-32710	De Witt
4	Ann Friar Thomas #4H	42-123-32777	De Witt
5	Ann Friar Thomas #5H	42-123-32854	De Witt
6	Ann Friar Thomas #6H	42-123-32715	De Witt
7	Blackjack Unit 'B' #1H	42-255-32377	Karnes
8	Blackjack Unit 'B' #2H	42-255-32386	Karnes
9	Blackjack Unit D #1H	42-255-33910	Karnes
10	Blackjack Unit D #2H	42-255-33909	Karnes
11	Blackjack Unit D #3H	42-255-33908	Karnes
12	Blackjack Unit D #4H	42-255-33538	Karnes
13	Blackjack Unit D #5H	42-255-33539	Karnes
14	Blackjack Unit D #6H	42-255-33511	Karnes
15	Dewbre-Johnson Unit #1H	42-255-31923	Karnes
16	Hamilton #2H	42-297-35294	Live Oak
17	Hemby Unit 'A' #1H	42-255-32500	Karnes
18	Hemby Unit 'A' #2H	42-255-32340	Karnes
19	Hemby Unit 'A' #3H	42-255-32345	Karnes
20	Hemby Unit 'A' #4H	42-255-33972	Karnes
21	Hemby Unit 'A' #5H	42-255-33976	Karnes
22	Hemby Unit 'A' #6H	42-255-33977	Karnes
23	Hemby Unit 'B' #1H	42-255-32442	Karnes
24	Henderson #1H	42-123-32712	De Witt
25	Henderson #2H	42-123-32721	De Witt
26	Henderson #4H	42-123-32833	De Witt
27	Henderson #5H	42-123-32834	De Witt
28	Henderson #6H	42-123-32835	De Witt
29	Henderson #7H	42-123-32836	De Witt
30	Henderson #8H	42-123-32913	De Witt
31	Henderson #9H	42-123-32914	De Witt
32	Henderson #10H	42-123-32915	De Witt
33	Leske-Lott Unit #2H	42-123-32751	De Witt
34	Leske-Lott Unit #3H	42-123-32781	De Witt
35	Leske-Lott Unit #4H	42-123-32838	De Witt
36	Leske-Lott Unit #5H	42-123-32849	De Witt
37	Leske-Lott Unit #8H	42-123-33196	De Witt
38	McCoy Unit A #2H Note 1	42-297-35180	Live Oak
39	McCoy Unit A #3H Note 2	42-297-35181	Live Oak
40	Shiner Unit C #1H	42-285-33689	Lavaca
41	Thomas Duhon Unit #1H	42-123-32936	De Witt
42	Turnbull Unit B #2H Note 3	42-255-31665	Karnes
43	Wyche #1H	42-123-33003	De Witt