



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0285346

THE APPLICATION OF RESACA RESOURCES, LLC TO CONSIDER A MER ALLOWABLE FOR THE BIG THICKET (YEGUA 4950) FIELD, TYLER COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

DATE OF HEARING: December 13, 2013

APPEARANCES: **REPRESENTING:**

APPLICANT:

David Gross
Dale Miller

Resaca Resources, LLC

INTERVENOR:

John Soule

Fort Apache Energy, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Resaca Resources, L.L.C. (Resaca) completed its Hrivnatz-McBride Lease Well No. 1 in December 2011. This was the discovery well for the Big Thicket (Yegua 4950) Field. The field was assigned a discovery allowable of 130 BOPD, which expires in December 2013. Resaca is requesting that the discovery allowable be set as the maximum efficient rate (MER) allowable for the field upon expiration of the discovery allowable.

Resaca's original application was for an MER allowable for its Hrivnatz-McBride No. 1 well only. Fort Apache Energy, Inc. (Ft. Apache) operates the only other well in the field, and protested the application. At the start of the hearing, Resaca amended the application to be for an MER allowable for the field, resolving Ft. Apache's protest; Ft. Apache supports the field-wide MER. Resaca requested the examiners to consider granting the original application for the single-well MER if the examiners concluded the evidence did not support the field-wide MER. No additional notice was necessary for the amended

application, as Resaca and Ft. Apache are the only two operators in the field. Resaca also amended its application to withdraw its request for the cancellation of overproduction, as the Hrivnatz-McBride well is not overproduced.

The examiners take official notice of the completion reports, production reports, and other information maintained in Commission records for Fort Apache's Tristan Tejas Well No. 1 (API 457-30799).

The examiners recommend that the discovery allowable of 130 BOPD be set as the MER allowable for all wells completed in the Big Thicket (Yegua 4950) Field.

DISCUSSION OF EVIDENCE

The Big Thicket (Yegua 4950) Field was discovered by the completion of Resaca's Hrivnatz-McBride Well No. 1 on December 21, 2011. The well is completed in the Y1 Cockfield 4950 Formation and is perforated from 4,955 to 4,958 feet. On initial potential testing the well produced at a 24-hour rate 176 BO, no gas and no water. A new field designation was approved by the Commission on February 14, 2012, and the field was assigned discovery allowables of 130 BOPD and 260 MCFGPD. The discovery allowables expired at the end of December 2013. On January 1, 2014 the 1965 yardstick allowables of 93 BOPD and 186 MCFGPD became effective. Resaca believes that its well produces at maximum efficiency at a rate higher than the yardstick value for oil and is requesting that the discovery allowable remain in effect as an MER allowable. Resaca provided the test data for its Hrivnatz-McBride Well No. 1 to support its position.

Resaca believes it has produced this well very conservatively since its completion. The well requires frequent maintenance to clear paraffin accumulation, typically every two weeks at the current production rates. That is, the paraffin content of the oil is effectively choking the well back on a regular basis. The well produces no water and very little gas; there was no casinghead gas production until November 2013. From December 22, 2011 through December 10, 2013 the well produced 89,568 BO and 1,231 MCFG. The average daily oil production during this time was about 124 BOPD. The production graph for the well indicates virtually no decline in oil production to date and has not produced any water. All oil production to date has been covered by the discovery allowable; there is no overproduction. There appears to be a very effective water drive in place.

In November and December 2013 Resaca tested the Hrivnatz-McBride No. 1 well under varying choke sizes from 11/64th-inch to 8/64th-inch to assess the maximum efficient rate of production for the well. The test data indicates reduced choke sizes tended to result in loading, specifically at choke sizes that would be required to achieve the yardstick allowable. Resaca concludes that the step-wise choke tests do not indicate any conservation purpose that would be served by limiting the oil production to the 1965 yardstick allowable of 93 BOPD. Resaca's test indicated difficulty in maintaining low

production rates approaching 93 BOPD.

The examiners take notice of Commission records of completion and production for Ft. Apache's Tristan Tejas Well No. 1. The Tristan Tejas No. 1 is a directional well whose bottom hole is located about 1,000 feet west of the Hrivnatz-McBride No. 1 well, and the surface location is about 745 southwest. The well was completed on December 25, 2011 to a depth of 5,280 feet (TVD) and perforated from 5,001 to 5,004 feet. Originally the well was permitted in the Wildcat Field, and later transferred to the Big Thicket (Yegua 4950) Field. On initial potential testing the well produced 148 BO, 22 MCFG, and 31 BW.

Commission production records indicate from January 2012, through September 2013 the Tristan Tejas well has produced 72,740 BO. The average daily production since the first complete month of production is about 117 BO, which is similar to that for the Hrivnatz-McBride No. 1. Both wells produce from a 3-foot perforated interval, and Tristan-Tejas well is about 50 feet lower in structure than the Hrivnatz-McBride well. Although the Hrivnatz-McBride well came in with a higher 24-hour initial potential rate, both wells have demonstrated similar oil production and decline over time.

EXAMINERS' OPINION

The examiners believe that Resaca has demonstrated a 130 BOPD MER allowable the Hrvnatz-McBride Well No. 1 will promote conservation and prevent waste. The Big Thicket (Yegua 4950) Field is early in its development, with two completed wells, both of which exhibit similar producing characteristics. The notable exception is that the Ft. Apache Tristan Tejas well produces some water and gas. The Resaca well, which is higher in structure, does not produce water. The examiners believe that a field-wide MER is reasonable. The examiners also note that both Resaca and Ft. Apache have applied for additional drilling permits in the field, and each company has protested the requested exceptions to SWR 37 made by the other operator. It appears that development of this field will present opportunities for cooperation, accommodation, or more hearings involving the various operators. The examiners recommend that an MER allowable of 130 BOPD be established for the Big Thicket (Yegua 4950) Field.

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 Big Thicket (Yegua 4950) Field is a new field whose discovery allowable of 130 BOPD expired in December 2013.

3. The 1965 Yardstick allowable for the field is 93 BOPD.
4. Resaca's Hrivnatz-McBride Well No. 1 has consistently produced for two years at a daily rate of about 124 BOPD with very little decline.
5. Ft. Apache's Tristan Tejas Well No. 1 has consistently produced for two years at a daily rate of about 117 BOPD with very little decline.
6. The Resaca and Ft. Apache wells are the only two wells in the field and have exhibited similar production characteristics.
7. The Resaca well is higher in structure and does not produce water.
8. A step-wise choke test conducted on the Hrivnatz-McBride Well No. 1 indicated that reducing the choke to reduce production approaching the yardstick allowable resulted in loading and inefficient production at lower rates.
9. Paraffin accumulation is significant for the Hrivnatz-McBride Well No. 1, and requires continuous attention and frequent removal.
10. The 1965 Yardstick allowable of 93 BOPD is not sufficient to cover efficient production from wells in the field.
11. An MER allowable of 130 BOPD, which is a continuation of the discovery allowable, for all wells in the field, will promote conservation, prevent waste and protect correlative rights in the field.

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. A MER allowable of 130 BOPD for all wells in the Big Thicket (Yegua 4950) Field 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 approval of the MER allowable of 130 BOPD for all wells in the Big Thicket (Yegua 4950) Field.

Respectfully submitted,



Paul Dubois
Technical Examiner



Laura Miles-Valdez
Hearings Examiner