



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 01-0286611

THE APPLICATION OF SV ENERGY COMPANY LLC TO CONSIDER PERMANENT GAS WELL CLASSIFICATION OF VARIOUS WELLS ON THE TYLER RANCH AND PEELER LEASES, A. W. P. (OLMOS) FIELD, MCMULLEN COUNTY, TEXAS

HEARD BY: Richard Atkins – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

REPORT PREPARED BY: Paul Dubois – Technical Examiner

DATE OF HEARING: February 7, 2014

APPEARANCES: **REPRESENTING:**

APPLICANT:

Andres J. Trevino

SV Energy Company LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

SV Energy Company LLC ("SV") acquired several oil wells completed in the A.W.P. (Olmos) Field in McMullen County, Texas, and it requests that the wells be reclassified as gas wells based on fluid compositional analysis. The application is not protested. The examiners recommend that the subject wells be reclassified as requested by SV.

DISCUSSION OF THE EVIDENCE

SV requests that thirteen (13) oil wells in the A.W.P. (Olmos) Field, McMullen County, Texas, be reclassified as permanent gas wells based on fluid compositional analysis. The subject wells are on its Peeler Lease (four wells) and Tyler Ranch Lease (nine wells). The wells were initially completed from 2009 to 2013; hydrocarbon fluids were sampled in 2013 from each of the wells, and the fluid samples were analyzed to assess

fluid composition. Specifically, a well in which the recombined wellstream composition contains less than 11.5 percent heptane and longer hydrocarbon chains may be permanently reclassified as gas wells according to current Commission policy¹. The well fluid analysis results are presented below:

TABLE 1

Well No.	API No.	Completion Date	Test Date	Heptanes Plus (mol percent)
Peeler Lease (No. 16373)				
2	311-34483	3/6/2011	3/25/2013	3.803
4	311-34742	2/24/2012	3/25/2013	4.33
5	311-34976	7/4/2012	4/4/2013	2.365
6	311-35097	10/24/2012	4/4/2013	8.883
Tyler Ranch Lease (No. 15064)				
2	311-34147	9/8/2009	5/28/2013	1.318
3	311-34152	9/28/2009	11/19/2013	2.311
4	311-34163	11/3/2009	5/28/2013	3.03
5	311-34214	4/26/2010	5/28/2013	1.738
6	311-34264	9/15/2010	5/28/2013	5.073
7	311-34481	3/16/2011	11/19/2013	2.745
8	311-34482	3/17/2011	11/21/2013	5.631
9	311-35270	3/3/2013	5/28/2013	10.676
10	311-35582	9/12/2013	11/19/2013	10.245

Based on these results, all thirteen (13) wells meet the current policy requirements to be permanently reclassified as gas wells effective on the date that the fluid sample was collected.

SV requested, however, that the reclassification date be made retroactive to the time at which each well began behaving as a gas well. "Behaving" as a gas well was defined as the time at which the well produced at a gas-oil ratio equivalent to the gas-oil ratio produced on the date of the successful compositional test. The examiners noted that SV had not demonstrated a relationship between gas-oil ratio and the heptanes-plus compositional analysis. Specifically, the A.W.P. (Olmos) Field has not adopted special field rules or gas classification rules allowing gas well classification based on gas-oil ratio.

Analyzing the data, SV prepared and late-filed several data tabulations that demonstrate a relationship between gas-oil ratio and heptanes-plus compositional analysis.

¹ Railroad Commission of Texas, T-bar Memorandum dated August 3, 2006. Re: Change in administrative determination policy for gas well classification.

The regression analysis of the data revealed very good correlation for eleven (11) of the thirteen (13) data points. The two outliers exhibited relatively high gas-oil ratios from 27 MCF/bbl to 75 MCF/bbl, which were the fourth highest and highest measured gas-oil ratios, respectively. SV used this data to establish a reasonable date on which each well qualified for permanent reclassification as a gas well; for administrative convenience SV requested that the dates be effective on the first of the qualifying month, to be consistent with production reporting. This information is shown on the following table:

TABLE 2

Well No.	API No.	Heptanes Plus (mol percent)	Gas-Oil ratio (SCF/bbl)	Test Date	Recommended Reclassification Date
Peeler Lease (No. 16373)					
2	311-34483	3.803	15,672	3/25/2013	3/1/2013
4	311-34742	4.33	5,640	3/25/2013	10/1/2012
5	311-34976	2.365	27,810	4/4/2013	1/1/2013
6	311-35097	8.883	4,959	4/4/2013	12/1/2012
Tyler Ranch Lease (No. 15064)					
2	311-34147	1.318	75,234	5/28/2013	3/1/2012
3	311-34152	2.311	38,642	11/19/2013	3/1/2012
4	311-34163	3.03	16,056	5/28/2013	3/1/2012
5	311-34214	1.738	36,595	5/28/2013	1/1/2013
6	311-34264	5.073	11,245	5/28/2013	3/1/2012
7	311-34481	2.745	25,165	11/19/2013	1/1/2012
8	311-34482	5.631	9,791	11/21/2013	2/1/2012
9	311-35270	10.676	2,211	5/28/2013	4/1/2013
10	311-35582	10.245	3,183	11/19/2013	11/1/2013

The examiners recommend that the subject wells be permanently reclassified as gas wells on the dates indicated in the table above.

FINDINGS OF FACT

1. Notice of this application and hearing was provided to all persons entitled to notice at least ten (10) days prior to the date of the hearing.
2. SV Energy collected hydrocarbon fluid samples from thirteen wells completed in the A.W.P. (Olmos) Field in McMullen County, Texas.
 - a. Four (4) wells are on the Peeler Lease (No. 16373)
 - b. Nine (9) wells are on the Tyler Ranch Lease (No. 15064)

- b. Nine (9) wells are on the Tyler Ranch Lease (No. 15064)
- 3. Recombined wellstream analysis for all thirteen wells indicated heptane-plus compositions of less than 11.5 mol percent.
- 4. All thirteen wells may be permanently reclassified as gas wells effective on the date of sampling based on the compositional analysis.
- 5. Analysis of the observed relationships heptanes-plus and gas-oil ratio for each of the samples establishes, for wells on these two leases, a reclassification date earlier than the date of sampling, as shown on Table 2.

CONCLUSIONS OF LAW

- 1. Proper notice of this hearing was issued.
- 2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
- 3. Permanently reclassifying the subject wells as gas wells will protect correlative rights.

RECOMMENDATION

The examiners recommend that the thirteen (13) subject wells be permanently reclassified as gas wells, effective the dates shown on Table 2, as requested by SV.

Respectfully submitted,



Paul Dubois
Technical Examiner



Laura Miles-Valdez
Legal Examiner