



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0277702

THE APPLICATION OF HORIZON PRODUCTION AND OPERATING, L.L.C. FOR AN MER ALLOWABLE ON THE SCHINDLER LEASE, WELL NO. 1, RIVERSTONE (YEGUA EY-1) FIELD, FORT BEND COUNTY, TEXAS

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

HEARING DATE: September 21, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Ana Maria Marsland-Griffith
Dale Miller

Horizon Prod. & Op., L.L.C.

EXAMINERS' REPORT AND RECOMMENDATION **STATEMENT OF THE CASE**

Horizon Prod. & Op., L.L.C. ("Horizon") requests a Maximum Efficient Rate ("MER") of 375 barrels of oil per day ("BOPD") for the Schindler Lease, Well No. 1 (API No. 42-157-32519), Riverstone (Yegua EY-1) Field, Fort Bend County, Texas. In addition, Horizon requests that all over-production accrued for the subject well be canceled.

The application is unopposed and the examiners recommend approval of the application, as requested by Horizon.

DISCUSSION OF EVIDENCE

The Riverstone (Yegua EY-1) Field is an oil field that was discovered in August 2008. The September 2012 oil proration schedule indicates THAT Horizon is the sole operator in the field with one well carried on schedule. The field is governed by statewide rules. The top allowable is 237 BOPD with a maximum casing-head gas-to-oil ratio ("GOR") of 2,000 cubic feet per barrel. Cumulative production from the field through September 2012 is reported as 516.7 thousand barrels of oil ("MBO") and 664.3 million cubic feet of casing-head gas ("MMCFG").



In support of its application, Horizon submitted a copy of the Commission Form W-2¹ for the subject well, dated October 23, 2008. Information submitted on the W-2 indicates the subject well was completed on August 10, 2012 and the initial potential (“IP”) test was performed on August 08, 2012. Results from the IP test indicate the well was tested for a twenty-four hour period on a 15/64-inch choke while flowing. Production during the IP test was reported as 1,806 BOPD, 214.5 MMCFG, 1,187 GOR, and a flowing tubing pressure of 5,803 pounds per square-inch (“psi”).

Horizon submitted a tabulation of rate-sensitivity well test data for the subject well that was performed from August 08, 2012 through September 07, 2012. Horizon testified that on average, the subject well performed at the following rates:

| <u>Choke size</u> | <u>Oil Production</u> | <u>Gas Production</u> | <u>GOR (SCF/bbl)</u> |
|-------------------|-----------------------|-----------------------|----------------------|
| 6"/ 64" | 105 BOPD | 175 MCFGPD | 1 : 1,665 |
| 8"/ 64" | 188 BOPD | 280 MCFGPD | 1 : 1,492 |
| 9"/ 64" | 254 BOPD | 374 MCFGPD | 1 : 1,474 |
| 10"/ 64" | 303 BOPD | 427 MCFGPD | 1 : 1,408 |
| 11"/ 64" | 345 BOPD | 477 MCFGPD | 1 : 1,382 |

Horizon testified that as the subject well produced at a higher rate, the GOR slightly decreased; however, as the well was choked-back the GOR indicated a modest increase.

Horizon submitted a copy of the monthly production for the subject well from August 2008 to June 2012. Horizon testified the subject well began reporting production in August 2008, with 2,494 BO produced, upwardly progressing to 15,076 BO in September 2009. From there, monthly production consistently fluctuated near 13,000 BO per month through March 2011. Beyond that, oil production shifted near 10,000 BO per month.

Horizon testified that the subject well began overproducing beyond the maximum daily in September 2011. From September 2011 through June 2012, the subject well overproduced oil by 34,106 BO. Casing-head gas production remained compliant with Statewide Rule 49(a). As a result, Horizon asserted that overproduction has not harmed and will not harm the reservoir.

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. Horizon Production and Operating, L.L.C. (“Horizon”) seeks a Maximum Efficient Rate (“MER”) of 375 barrels of oil per day (“BO”) for its Schindler Lease, Well No. 1 (API No. 42-157-32519), Riverstone (Yegua EY-1) Field, Fort Bend County, Texas.

¹ Form W-2 is the Oil Well Potential Test, Completion or Recompletion Report, and Log.

2. The Riverstone (Yegua EY-1) Field is a designated oil field and was discovered in August 2008.
 - a. The September 2012 oil proration schedule indicates Horizon is the sole operator in the field with one well carried on schedule.
 - b. Current Field Rules are governed by Statewide Rules.
 - c. The top allowable is 237 BO per day with a maximum casing-head gas to oil ratio of 2,000 cubic feet per barrel.
3. Horizon performed an initial potential test on August 08, 2012 for the Schindler Lease, Well No. 1 (“the subject well”).
4. The twenty-four hour oil potential test performed on the subject well indicated a daily production rate of 516.7 thousand barrels of oil (“MBO”) and 664.3 million cubic feet (“MMCFG”) of casing-head gas.
5. The subject well was tested for rate-sensitivity from August 08, 2012 through September 07, 2012 and produced at rates from 105 BO to 345 BO per day.
6. Granting an MER of 375 BO per day is appropriate for the subject well.
7. Cancellation of the overproduced oil from the subject well will not cause harm to the reservoir.

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 an Maximum Efficient Rate (“MER”) allowable of 375 barrels of oil per day and cancellation of over-production from the Schindler Lease, Well No. 1 (API No. 42-157-32519), Riverstone (Yegua EY-1) Field, Fort Bend County, Texas, will not harm correlative rights and will not cause waste.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend approval of the MER and cancellation of oil overproduction from the Schindler Lease, Well No. 1, as requested by Horizon Production and Operating, L.L.C.

Respectfully submitted,


Brian K. Fancher, P.G.
Technical Examiner


Terry Johnson
Legal Examiner