



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 7B-0295008

THE APPLICATION OF L.C.S. PRODUCTION COMPANY AND MID-CON ENERGY OPERATING, LLC TO ADOPT PERMANENT FIELD RULES FOR THE CORSICA (STRAWN) FIELD, STONEWALL COUNTY, TEXAS

HEARD BY: Karl Caldwell – Technical Examiner
Laura Miles-Valdez – Hearings Examiner

HEARING DATE: February 13, 2015
CONFERENCE DATE: April 28, 2015

APPEARANCES: REPRESENTING:

APPLICANT:

Dale Miller

Mid-Con Energy Operating, LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

L.C.S. Production Company ("LCS") and Mid-Con Energy Operating, LLC ("Mid-Con") request to adopt field rules for the Corsica (Strawn) Field, Stonewall County, Texas. Mid-Con has acquired the assets of LCS in the current field and LCS is no longer an operator in the field. Mid-Con proposes to adopt the following field rules:

1. Designated correlative interval from 5,161 feet to 5,359 feet as shown on the log of the L.C.S. Production Company – Saltlick Lease, Well No. 1, (API 42-433-33971);
2. 330'-660' well spacing;
3. 40 acre oil units, with optional 20-acre density, 20-acre tolerance provision for the last well on the lease, the filing of From P-15 to designate the number of acres to be assigned to individual wells with a plat of the entire

lease, no requirement to file individual well proration unit plats and no maximum diagonal limitation; and

4. Allocation based on salvage classification with no restrictions on oil or gas production.

Mid-Con completed a well in the field in July 2014, which is currently producing 90 BOPD and has over-produced 1,192 BO at the time of the hearing. The yardstick allowable for the field is 82 BOPD. The Applicant is requesting salvage classification for the field which would result in no daily allowable, or in the alternative, cancel overproduction accrued by the single well in the field.¹ The application is unopposed and the Examiners recommend approval of the application, canceling over-production and denying the request for salvage classification.

DISCUSSION OF THE EVIDENCE

The February oil proration schedule for the Corsica (Strawn) Field lists the discovery date for the field as February 9, 1953. In a memorandum to the Commission dated April 24, 1953, a discovery allowable and a new field designation was requested for the Corsica (Strawn) Field, however, the request to adopt special field rules was withdrawn at that same time. As a result, no special field rules have been adopted for the field. The oil allowable for the field is 82 BOPD.

Although the Corsica (Strawn) Field was discovered in 1953, only 10 wells were completed in the field during the 22 years that followed the discovery of the field before the field was plugged and abandoned. On July 31, 2014, the Mid-Con Saltlick Lease, Well No. 1 (API No. 433-33971) was completed. On August 4, 2014, the well tested 107 BO, 35 MCF gas, and no water. The well is currently producing 90 BOPD, and has overproduced approximately 1,192 BO at the time of the hearing. There is currently only one operator in the field, Mid-Con, the Applicant, and one well producing in the field.

The productive interval in the field is the Strawn sand, with an average porosity of 14%, and an average permeability of 20 md, with 25% water saturation. The average API gravity of the oil produced is 40.9°. In addition, the reservoir data sheet for the field notes a strong solution gas drive for the field.

The Applicant requests to adopt a field rule with no restrictions on oil or gas production, referred to as salvage classification. However, the evidence in the record shows that the field is still in the primary stage of production with a strong solution gas drive, and the only well in the field is producing above the daily allowable. The evidence in the record conflicts with past precedent where salvage classification has been

¹ Audio transcript 43:07-43:13.

granted. Notably, the single producing well in the field is not considered a marginal well, and no secondary or tertiary recovery measures have been initiated in the field at this time.² As such, the Examiners determine that a salvage classification is not warranted in this case. The Applicant's witness stated that if salvage classification could not be granted at this time, then the Applicant requests that the overage in the field be cancelled, which, in the Examiners' opinion, is more appropriate at this time than no restriction on oil or gas production.

Adopting minimum lease line spacing of 330 feet and between well spacing of 660 feet will provide operators flexibility in locating wells in the field to maximize the recovery of reserves. Mid-Con also proposes 40 acre oil units with optional 20 acre density units, and a 20 acre tolerance provision for the last well on a lease. Estimated recoverable reserves and drainage area calculations indicate that the current well in the field is draining 27 acres. The estimated drainage areas of historical wells in the field, based on past production, shows that the range of drainage from wells in the field have ranged from less than one acre to 44 acres. Therefore, the data supports the request for 40 acre oil units, a 20 acre tolerance provision for the last well on a lease, as well as optional 20 acre units.

FINDINGS OF FACT

1. Notice of this hearing was provided to all operators in the field at least ten (10) days prior to the date of the hearing and no protests were received.
2. The Corsica (Strawn) Field was discovered on February 9, 1953.
3. Ten wells were completed in the field over a span of 22 years following the discovery of the Corsica (Strawn) Field in 1953 before the field was plugged and abandoned.
4. Mid-Con is currently the only operator in the field.
5. Mid-Con is attempting to secure additional leases in the area to further develop the Corsica (Strawn) Field.
6. There is currently one producing well in the field, the Mid-Con Saltlick Lease, Well No. 1 (API No. 433-33971).
7. On August 4, 2014 the Saltlick Lease, Well No. 1 tested 107 BO, 35 MCF gas, and no water.

² Applicant Exhibit No. 15: "Mid-Con is in the process of attempting to secure additional leases in the area to further develop the Corsica (Strawn) Field, and a potential water flood."

8. The Saltlick Lease, Well No. 1 is currently producing 90 BOPD.
9. The Corsica (Strawn) Field exhibits a strong solution gas drive.
10. No secondary recovery measures have been initiated in the field.
11. Adopting minimum lease line spacing of 330 feet and between well spacing of 660 feet will provide operators flexibility in locating wells in the field to maximize the recovery of reserves and prevent waste.
12. Designating a correlative interval for the field will aid operators in the area in permitting wells in the proper field.
13. Adopting 40 acre oil units with 20 acre optional units is appropriate as drainage area calculations shows that the number of acres drained by wells in the field ranges from less than one acre to 44 acres.
14. No secondary or tertiary recovery measures have been initiated in the field at this time to support a salvage classification.
15. The Saltlick Lease, Well No. 1 is not a marginal well and does not support a salvage classification.
16. The Saltlick Lease, Well No. 1 has overproduced 1,129 BO.
17. The production of the Saltlick Lease, Well No. 1 is decreasing.
18. Mid-Con is currently the only operator in the field.
19. Cancelling overproduction in the field at this time will not cause waste.

CONCLUSIONS OF LAW

1. Proper 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. Adopting field rules governing lease-line, between well spacing, and proration unit size for the Corsica (Strawn) Field will prevent waste.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission adopt permanent field rules for the Corsica (Strawn) Field.

Respectfully submitted,



Karl Caldwell
Technical Examiner



Laura Miles-Valdez
Hearings Examiner