



## RAILROAD COMMISSION OF TEXAS

### HEARINGS DIVISION

**OIL AND GAS DOCKET NO. 8A-0298662**

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**THE APPLICATION OF SHENANDOAH PETROLEUM CORPORATION TO ESTABLISH A MAXIMUM EFFICIENT RATE ALLOWABLE AND CANCEL OVERPRODUCTION FOR THE FLETCHER LOTT A LEASE, WELL NO. 2, VERN-MAG (8320 LIME) FIELD, GARZA COUNTY, TEXAS**

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**HEARD BY:** Paul Dubois – Technical Examiner  
Ryan Lammert – Administrative Law Judge

**HEARING DATE:** December 17, 2015

**CONFERENCE DATE:** February 3, 2016

**APPEARANCES:**

**REPRESENTING:**

Dale Miller

Shenandoah Petroleum Corporation

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Shenandoah Petroleum Corporation (Shenandoah) is requesting a maximum efficient rate (MER) allowable of 300 barrels of oil per day (BOPD) for its Fletcher Lott A Lease, Well No. 2, in the Vern-Mag (8320 Lime) Field in Garza County, Texas. Shenandoah also requests that overproduction be cancelled. The application was not protested. The Examiners recommend Shenandoah's request be granted.

#### DISCUSSION OF EVIDENCE

The Vern-Mag (8320 Lime) Field was discovered on August 1, 1992, at a depth of 8,350 feet. The current proration schedule identifies two wells in the field; three other wells have been completed but are not yet carried on the schedule. The field has a top allowable of 133 BOPD. Oil wells may produce casinghead gas at a gas-to-oil ratio (GOR) of 2,000 standard cubic feet (SCF) per barrel of oil, which corresponds to a daily gas limit of 266 MCF gas per day. The Fletcher Lott A Lease Well No. 2 was completed on July 17, 2014, and perforated from 8,338 feet to 8,377 feet. On its initial potential test on July 31,

2014, the well produced 172 BOPD on a rod pump, 171 barrels of water per day (BWPD), and no gas.

Well No. 2 has received authorization for downhole commingling in the Vern-Mag (8320 Lime) and Vern-Mag (Ellen) Fields. A second completion was added in the Ellenburger Formation at a depth of 8,655 feet to 8,644 feet. On March 22, 2015, a potential test for the two commingled fields produced via electric submersible pump (ESP) 400 BOPD, 1,372 BWPD and no gas. The ESP has resulted in a significant increase in both oil and water production. Shenandoah argues that production can only be restricted by shutting down the ESP, which may threaten the ultimate recovery of reserves and potentially cause waste. The well currently produces 1,005 BWPD, which can only be efficiently removed via the ESP. During the last 31 days the well has produced an average of 264 BOPD of commingled production. The lease has accrued about 87,000 barrels of overproduction, which Shenandoah requests to be cancelled or held in abeyance.

At the hearing Shenandoah requested that the Commission consider a field-wide MER for the field. The Examiners indicated that a field-wide application is not justified at this time. A field-wide MER should be based on data from more than one well, and perhaps over time the new wells recently completed in the field would provide adequate justification for such an application.

#### **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 Vern-Mag (8320 Lime) Field was discovered on August 1, 1992, at a depth of 8,350 feet.
  - a. The current proration schedule identifies two wells in the field; three other wells have been completed but are not yet carried on the schedule.
  - b. The field has a top allowable of 133 BOPD. Oil wells may produce casinghead gas at a gas-to-oil ratio (GOR) of 2,000 standard cubic feet (SCF) per barrel of oil, which corresponds to a daily gas limit of 266 MCF gas per day.
3. The Fletcher Lott A Lease Well No. 2 was completed on July 17, 2014, and perforated from 8,338 feet to 8,377 feet. On its initial potential test on July 31, 2014, the well produced 172 BOPD on a rod pump, 171 barrels of water per day (BWPD), and no gas.
4. Well No. 2 has received authorization for downhole commingling in the Vern-Mag (8320 Lime) and Vern-Mag (Ellen) Fields.

- a. A second completion was added in the Ellenburger Formation at a depth of 8,655 feet to 8,644 feet.
  - b. On March 22, 2015, a potential test for the two commingled fields produced via electric submersible pump (ESP) 400 BOPD, 1,372 BWPD and no gas.
  - c. During the last 31 days the well has produced an average of 264 BOPD of commingled production.
  - d. The well currently produces 1,005 BWPD, which can only be efficiently removed via the ESP.
  - e. The lease has accrued about 87,000 barrels of overproduction, which Shenandoah requests to be cancelled or held in abeyance.
5. The Fletcher Lott A Lease Well No. 2 can produce efficiently at an MER allowable of 300 BOPD.

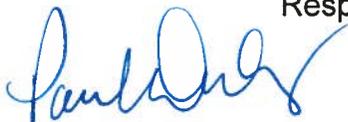
**CONCLUSIONS OF LAW**

- 1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
- 2. All notice requirements have been satisfied. 16 Tex. Admin. Code § 1.45
- 3. An MER allowable of 300 BOPD will prevent waste and protect correlative rights.

**RECOMMENDATION**

Based on the above findings of fact and conclusions of law, the Examiners recommend Shenandoah's request be granted, and the Fletcher Lott A Lease, Well No. 2, in the Vern-Mag (8320 Lime) Field be assigned an MER allowable of 300 BOPD and that overproduction in the field be cancelled.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Ryan Lammert  
Administrative Law Judge