

THE APPLICATION OF LOUDON OPERATING COMPANY, LLC TO ESTABLISH AN MER AND CANCEL OVERPRODUCTION FOR THE LOPEZ LEASE, IN THE ENCINITAS (FRIO 7310) FIELD, BROOKS COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on May 7, 2008

Appearances:

Dale E. Miller

Representing:

Loudon Operating Company, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Loudon Operating Company, LLC had originally applied for an MER for its Lopez No. 6T in the Encinitas (Frio 7310) Field. Since the time the application was filed, production from the well declined below the top allowable in the field. Loudon is no longer seeking an MER for the well but does request that all overproduction on its Lopez lease in the Encinitas (Frio 7310) Field be cancelled. The application is unopposed and the examiner recommends approval of cancellation of overproduction for the lease.

DISCUSSION OF EVIDENCE

The Encinitas (Frio 7310) Field was discovered in 2005 with the recompletion of the Lopez No. 6T from the Vicksburg sands at 8,612 feet to a Frio sand at depth of 7,310 feet. The Lopez No. 6T is a dually completed flowing well and is currently the only well in the field.

The top allowable for the Encinitas (Frio 7310) Field, is 101 BOPD for a well. The Lopez No. 6T was recompleted in January 2005 with an initial potential of 288 BOPD, 226 MCFD and 0 BWPD. Production was steady with a rate of 288 BOPD until February 2006. The well then declined steadily below the 101 BOPD allowable to the current rate of 80 BOPD. The well has produced 210,010 BO as of April 2008. Loudon Operating is no longer seeking a MER allowable, but is requesting cancellation of lease overproduction. Shutting in the flowing well may damage the well, reducing its ultimate recovery. Cumulative overproduction for the lease is estimated at 9,521 BO as of April 30, 2008.

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 top allowable in the Encinitas (Frio 7310) Field is 101 BOPD.
3. The Lopez No. 6T is the discovery well and the only well in the Encinitas (Frio 7310) Field, it has produced 210,010 BO.
4. Loudon Operating recompleted its Lopez No. 6T from the Vicksburg in January 2005 with an initial potential of 288 BOPD and 226 MCF of gas per day. Production peaked at a rate of 288 BOPD in January 2006.
5. Production declined steadily below the 101 BOPD allowable to the current rate of 80 BOPD. Loudon Operating withdrew its request for a MER allowable increase.
6. The subject lease is overproduced approximately 9,521 BO as of April 30, 2008.

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. Cancellation of overproduction for the Lopez Lease in the Encinitas (Frio 7310) Field will not cause waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends cancellation of overproduction for the Lopez Lease in the Encinitas (Frio 7310) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner