

**THE APPLICATION OF HILCORP ENERGY COMPANY TO CONSIDER AN MER DETERMINATION FOR THE FEDERAL GAYATT LEASE WELL NO. 2, FRANKS, NW (8900) FIELD, GALVESTON COUNTY, TEXAS**

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**Heard by:** Donna K. Chandler on April 12, 2001

**Appearances:**

Dale Miller

**Representing:**

Hilcorp Energy Company

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Hilcorp Energy Company requests approval of an MER of 400 BOPD for its Federal Gayatt No. 2 in the Franks, NW (8900) Field. Hilcorp also requests that all overproduction for the subject well be canceled.

The application is unopposed and the examiner recommends approval of the requested MER and cancellation of overproduction.

**DISCUSSION OF EVIDENCE**

The Franks, NW (8900) Field was discovered in 1964 at a depth of approximately 9,000 feet. There are currently seven producing oil wells in the field and the top allowable in the field is 229 BOPD.

The Federal Gayatt No. 2 was completed in 1994 by The Daniels Corporation with perforations from 8,903 - 8,921 feet. Cumulative production from the well is over 500,000 BO. The well produced near its 229 BOPD allowable until late 2000 when oil production began to drop substantially. Hilcorp installed gas lift equipment in the well and production increased to near 400 BOPD.

During March 2001, Hilcorp tested the well at various rates between 220 and 400 BOPD. Regardless of oil rate, the gas-oil ratio was approximately 400 cubic feet per barrel. Water production is 1-3 BWPD.

The subject lease is overproduced approximately 3,650 BO as of April 1, 2001. It is requested that all overage be canceled.

**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 Franks, NW (8900) Field was discovered in 1964 at a depth of approximately 9,000 feet.
3. The top allowable in the field is 229 BOPD.
4. The Federal Gayatt No. 2 has produced over 500,000 BO since completion in 1994.
5. Hilcorp recently installed gas lift equipment in the well and production increased to near 400 BOPD.
6. The subject well is not rate sensitive.
  - a. When production was varied between 220 and 400 BOPD, the gas-oil ratio remained at approximately 400 cubic feet per barrel.
  - b. Water production during testing was constant at 1-3 BWPD.
7. The subject lease is overproduced approximately 3,650 BO as of April 1, 2001.

**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 MER of 400 BOPD and cancellation of overproduction for the Federal Gayatt lease in the Franks, NW (8900) Field will not cause waste and will not harm correlative rights.

**RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends approval of an MER of 400 BOPD and cancellation of overproduction for the Federal Gayatt Lease No. 2 in the Franks, NW (8900) Field.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner