

OIL AND GAS DOCKET NO. 8A-0259026

THE APPLICATION OF FASKEN OIL AND RANCH LTD TO CONSIDER AN MER AND NET GOR FOR EACH WELL IN THE LOS YBANEZ (SPRABERRY) FIELD, DAWSON COUNTY, TEXAS

Heard by: Andres J. Trevino on October 29, 2008

Appearances:

Jim Cowden
Stonnie Pollock
Aaron Dover
Jimmy Carlisle

Representing:

Fasken Oil & Ranch LTD

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Fasken Oil & Ranch LTD requests approval of an MER of 185 BOPD and an increased net gas-oil ratio authority with a daily gas limit of 800 MCFD for each well in the Los Ybanez (Spraberry) Field. Fasken also requests that all overproduction for the wells be canceled. Fasken Oil & Ranch is the only operator in the field.

The application is unopposed and the examiner recommends approval of the requested field wide MER of 185 BOPD, increased net gas-oil ratio authority with a daily gas limit of 800 MCFD and cancellation of overproduction for all wells in the field.

DISCUSSION OF EVIDENCE

The Los Ybanez (Spraberry) Field was discovered in 2006 upon completion of the Autrey Burke "16" No. 1 by Fasken. Five additional wells have been completed since then. The five wells currently producing (one shut-in) in the field produce an average of 92 BOPD. Cumulative production in the Los Ybanez (Spraberry) Field has totaled 389,511 BO. The current top allowable in the field is 121 BOPD with a casinghead gas limit of 242 MCFD.

The Vinson "16" No. 1 produced at a rate of 263 BOPD and 95 MCFD on initial test, with 300 psi flowing tubing pressure. Currently, the Vinson "16" No. 1 produces at a rate of 169 BOPD and 632 MCFD, with a flowing tubing pressure of 300 psi. As of the time of hearing, the Vinson "16" No. 1 had produced over 135,482 BO and 180,742 MCF of gas.

The Vinson "16" No. 1 was tested at various rates during September -October 2008 to determine rate sensitivity. The choke size was increased from 18/64" to 30/64" during the

testing. Oil production ranged from an average of 112 BOPD to 187 BOPD. The casinghead gas production increased from 525 MCFD to approximately 645 MCFD. The producing gas-oil ratio during testing was declining, ranging from about 4,688 cubic feet per barrel to about 3,800 cubic feet per barrel at the 30/64" choke size. The well showed signs of loading during testing when the well was choked back to produce within the allowable. The flowing tubing pressure fell almost 80 psi and oil production fell from over 187 BOPD down to 112 BOPD.

The Autrey Burke "16" No. 2 was tested in September -October 2008. During testing, the choke on this well was varied from 30/64" to 16/64" and oil production ranged from about 132 BOPD to 81 BOPD. During testing, the gas oil ratio was very constant, ranging only from about 2,741 cubic feet per barrel to about 2,409 cubic feet per barrel. There was no water production.

A third well, the State "9" No. 1X, was tested in September -October 2008. Production data for the State "9" No. 1X indicates that producing at higher rates will reduce the GOR and will not cause waste. During testing, the choke size was decreased from 32/64" to 20/64" during the testing and oil production ranged from an average of 106 BOPD to 84 BOPD. The casinghead gas production increased from 301 MCFD to approximately 311 MCFD. The producing gas-oil ratio during testing was increasing, ranging from about 2,868 cubic feet per barrel to about 3,635 cubic feet per barrel at the 20/64" choke size.

The Los Ybanez (Spraberry) Field is completed in a correlatable Spraberry sand with uncharacteristically high permeability of 26md. Other Spraberry fields have non correlatable sands with .1md to 2md permeability. The field is a solution gas drive field with no evidence of a gas cap. Fasken Oil believes the field is producing below the bubble point and will have increasing gas production in the future. The testing indicate that wells in the field can produce at rates of at least 185 BOPD and casinghead gas rates at 800 MCFPD without causing waste.

As of October 1, 2008, three wells in the field are overproduced a total of approximately 6,285 BO and 43,133 MCF of gas. 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 Los Ybanez (Spraberry) Field was discovered in 2006 upon completion of the Autrey Burke "16" No. 1 by Fasken. There are currently six producing wells in the field, all operated by Fasken Oil & Ranch LTD.
3. The top allowable in the field is 121 BOPD and casinghead gas limit of 242

MCFD and the field operates under Special Rules.

4. Production data of the Vinson "16" No. 1 indicates that producing at rates of up to 185 BOPD and 800 MCFPD will not cause waste.
 - a. During testing, the choke size was increased from 18/64" to 30/64" and oil production ranged from an average of 112 BOPD to 187 BOPD.
 - b. The casinghead gas production increased from 525 MCFD to approximately 645 MCFD
 - c. The producing gas-oil ratio during testing was declining, ranging from about 4,688 cubic feet per barrel to about 3,800 cubic feet per barrel.
5. Production data of the Autrey Burke "16" No. 2 indicates that producing at rates above current allowable will not cause waste.
 - a. During testing, the choke on this well was varied from 30/64" to 16/64" and oil production ranged from about 132 BOPD to 81 BOPD.
 - b. During testing, the gas oil ratio was very constant, ranging only from about 2,741 cubic feet per barrel to about 2,409 cubic feet per barrel.
6. Production data of the State "9" No. 1X indicates that producing at higher rates will reduce the GOR and will not cause waste.
 - a. During testing, the choke size was decreased from 32/64" to 20/64" and oil production ranged from an average of 106 BOPD to 84 BOPD.
 - b. The casinghead gas production increased from 301 MCFD to approximately 311 MCFD
 - c. The producing gas-oil ratio during testing was increasing, ranging from about 2,868 cubic feet per barrel to about 3,635 cubic feet per barrel.
7. The field is a solution gas drive reservoir.
 - a. There is no evidence of a gas cap.
 - b. The gas production is expected to increase over time as the wells produce below the bubble point.
 - c. The wells are completed in a highly permeable Spraberry sand deposit that is more productive than other typical Spraberry wells..
8. Three wells in the field are overproduced approximately 6,285 BO and 43,133 MCF of gas.

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 185 BOPD and an increased net gas-oil ratio authority with a daily gas limit of 800 MCFD for each well in the Los Ybanez (Spraberry) Field will not cause waste and will not harm correlative rights.
4. Cancellation of overproduction in the Los Ybanez (Spraberry) Field will not cause waste or harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of an MER of 185 BOPD and an increased net gas-oil ratio authority with a daily gas limit of 800 MCFD for each well in the Los Ybanez (Spraberry) Field. It is further recommended that all overproduction in the field be cancelled.

Respectfully submitted,

Andres J. Trevino
Technical Examiner