



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 08-0272701

THE APPLICATION OF NEARBURG PRODUCING CO. TO CONSIDER A NET GAS-OIL RATIO FOR ITS PEAK VICTOR LEASE, WELL NOS. 1 AND 3, IN THE PEAK VICTOR (DEVONIAN) FIELD, CRANE COUNTY, TEXAS

HEARD BY: Brian K. Fancher - Technical Examiner

DATE OF HEARING: November 07, 2011

APPEARANCES:

REPRESENTING:

D. Davin McGinnis
Tim Speer

Nearburg Producing Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Nearburg Producing Company ("Nearburg") requests authority to produce its Peak Victor 77 (Lease ID No. 40197) Lease, Well Nos. 1 and 3 under increased net gas-oil ratio authority with a daily casing head gas limit of 2,000 MCFD. At the hearing, Nearburg requested that instead of considering an increase in Net-GOR for the Peak Victor 77 Lease, Well Nos. 1 and 3, the application be considered for all wells completed in the Peak Victor (Devonian) Field in Crane County. Further, Nearburg requests that all overproduction for its Peak Victor 77 Lease, Well Nos. 1 and 3 be canceled. A subsequent notice of the alteration from the original notice of hearing was not issued, as Nearburg is the only operator listed in the field.

This application was unopposed and the examiner recommends approval of the application, as requested by Nearburg.

DISCUSSION OF THE EVIDENCE

The Peak Victor (Devonian) Field is an associated field and was discovered in October 1988. The field currently operates under statewide rules for both oil and gas wells. As of October 2011 there are four producing oil wells and no producing gas wells listed on the current proration schedules. Nearburg is the only active operator listed in the field. The top allowable for oil wells is 102 BOPD with a casing-head gas limitation of 1,000 MCFD. The gas field is restricted to Statewide Rule 49(b).



The Peak Victor (Devonian) Field consists predominately of Devonian-aged, tripolitic chert and produces from a depth of approximately 5,200 to 5,700 feet below the surface. Nearburg indicated the reservoir has a solution-gas drive mechanism, an initial bottom-hole pressure (BHP) of 2,500 psi, a bubble point at approximately 2,500 psi, 25% to 35% porosity, and 8 to 20 millidarcies of permeability.

Commission records reflect the Peak Victor 77 Lease, Well No. 1 was completed in the subject field in June 2010 with perforations between 5,481 and 5,531 feet and is listed on the current oil proration schedule as one of the four producing oil wells. The initial potential test performed on June 06, 2010, indicated production rates at 50 BOPD, 81 MCFD and 0 BWPD. The well was retested on June 21, 2010 and reported production rates at 108 BOPD, 110 MCFD, and 0 BWPD.

The Peak Victor 77 Lease, Well No. 3 was completed in the subject field in May 2011, with perforations between 5,500 and 5,546 feet. The initial potential test performed on June 19, 2010, indicated production rates at 45 BOPD, 448 MCFD and 0 BWPD.

Between September 26, 2011 and October 26, 2011, Nearburg performed step-rate tests on Well Nos. 1 and 3 at various choke sizes. The results of the testing are summarized below:

Well No. 1

<u>Choke</u>	<u>Avg. Oil Rate</u>	<u>Avg. Gas Rate</u>	<u>Avg. FTP</u>	<u>Avg. GOR</u>
40/64	128 BOPD	1187 MCFD	400 psi	9271 cuft/bbl
31/64	140 BOPD	1226 MCFD	400 psi	8811 cuft/bbl
25/64	129 BOPD	1130 MCFD	517 psi	8765 cuft/bbl
18/64	116 BOPD	1018 MCFD	742 psi	8766 cuft/bbl

Well No. 3

<u>Choke</u>	<u>Avg. Oil Rate</u>	<u>Avg. Gas Rate</u>	<u>Avg. FTP</u>	<u>Avg. GOR</u>
17/64	145 BOPD	2010 MCFD	1217 psi	13,833 cuft/bbl
15/64	117 BOPD	1609 MCFD	1222 psi	13,719 cuft/bbl
14/64	96 BOPD	1268 MCFD	1280 psi	13,141 cuft/bbl
12/64	67 BOPD	957 MCFD	1288 psi	14,281 cuft/bbl

The testing demonstrates that Well Nos. 1 and 3 produce more efficiently at higher choke sizes. Nearburg testified that the less the wells are restricted the greater the amount of hydrocarbon production is encountered, all while maintaining a consistent GOR. Under the current casing-head gas limitation of 1,000 MCFD, wells completed in the subject field are receiving a penalized casing-head gas limit due to the early break out of gas in solution. Restricting the wells to this rate is not necessary to prevent waste.

Commission records reflect the Peak Victor 77 (Lease ID No. 40197) is overproduced by approximately 3,027 BO and 153.2 MMCF of gas as of October 1, 2011. Nearburg requests that all overage be cancelled for the Peak Victor 77 Lease. The examiner concludes the cancellation of overproduction from the aforementioned lease is appropriate in this instance.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Peak Victor (Devonian) Field was discovered in October 1988 and is an associated field.
 - a. There are four producing oil wells and no producing gas wells listed on the current proration schedules.
 - b. The field consists predominately of Devonian-aged, tripolitic chert and produces from a depth of approximately 5,200 to 5,700 feet below the surface.
 - c. The top allowable for oil wells is 102 BOPD and 204 MCFD with a casing-head gas limitation of 1,000 MCFD. The gas field is restricted to Statewide Rule 49(b).
 - d. The field has a solution-gas drive mechanism, an initial bottom-hole pressure (BHP) of 2,500 psi, a bubble point at approximately 2,500 psi, 25% to 35% porosity, and 8 to 20 millidarcies of permeability.
3. The Peak Victor 77 Lease, Well No. 1 was completed in the subject field in June 2010, with perforations between 5,481 and 5,531 feet. The initial potential test performed on June 06, 2010, indicated production rates at 50 BOPD, 81 MCFD and 0 BWPD. The well was retested on June 21, 2010 and reported production rates at 108 BOPD, 110 MCFD, and 0 BWPD.
4. The Peak Victor 77 Lease, Well No. 3 was completed in the subject field in May 2011, with perforations between 5,500 and 5,546 feet. The initial potential test performed on June 19, 2010, indicated production rates at 45 BOPD, 448 MCFD and 0 BWPD.
5. The step-rate testing performed from September 26, 2011 to October 26, 2011 demonstrates that Well Nos. 1 and 3 produce more efficiently at higher choke sizes. At higher choke sizes, both wells produce a greater amount of hydrocarbons while the GOR remains consistent.

6. Increasing the casinghead gas allowable to 2,000 MCFD in the Peak Victor (Devonian) Field will not harm the ultimate recovery from the reservoir.
7. The Peak Victor 77 (Lease ID No. 40197) is overproduced by approximately 3,027 BO and 153.2 MMCF of gas as of October 1, 2011. Cancellation of the accrued overproduction is appropriate in this instance.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Approval of increased net gas-oil ratio with a casinghead gas limit of 2,000 MCFD per well in the Peak Victory (Devonian) Field will not cause waste or harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of fieldwide increased net gas-oil ratio authority with a casinghead gas limit of 2,000 MCFD per well in the Peak Victor (Devonian) Field. It is also recommended that all overproduction in the field be canceled.

Respectfully submitted,



Brian K. Fancher
Technical Examiner