

OIL AND GAS DOCKET NO. 08-0255681

THE APPLICATION OF RUWCO OIL AND GAS CORP. FOR A NET GAS OIL RATIO AUTHORITY FOR ITS GREEN-EYED LEASE, WELL NO. 1, HEDGE (CANYON REEF) FIELD, HOWARD COUNTY, TEXAS

Heard by: Richard D. Atkins, P.E.

Date of Hearing: March 26, 2008

Appearances:

John Fontenot

Representing:

Ruwco Oil and Gas Corp.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Ruwco Oil and Gas Corp. requests authority to produce its Green-Eyed Lease, Well No. 1 under increased net gas-oil ratio authority with a daily gas limit of 550 MCFPD. Ruwco also requests that all overproduction for the well be canceled.

This application was unopposed and the examiner recommends approval of increased net gas-oil ratio authority with a daily gas limit of 550 MCFPD and cancellation of the overproduction.

DISCUSSION OF EVIDENCE

The Hedge (Canyon Reef) Field was discovered in February 2005 upon completion of the Green-Eyed Lease Well No. 1. No other wells have been completed in the field. The top allowable in the field is 142 BOPD with a casinghead gas limit of 284 MCFPD.

The Green-Eyed Lease Well No. 1 is completed through perforations between 8,684 and 8,689 feet in the Canyon Reef. On initial test, the well flowed at a rate of 48 BOPD, 550 MCFGPD and 0 BWPD with 1,585 psi flowing tubing pressure.

Shortly after the initial completion, water production began to steadily increase and the well ceased to flow in October 2005. A submersible pump was installed in December 2005. As the water was unloaded from the well, the oil cut began to increase. Production from the well is currently 45 BOPD, 450 MCFGPD and 1,500 BWPD.

In October 2007, the well began to receive a penalized oil allowable due to the high gas-oil ratio. Cumulative production from the well is 15,269 BO and 173 MMCFG. The lease is currently overproduced 2,536 BO and 7,159 MCFG.

The reservoir has a strong water drive and restricting gas production in this reservoir is not necessary to prevent waste. In addition, this would allow the water to further encroach and hinder the oil production, reducing the ultimate recovery from the well.

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 Hedge (Canyon Reef) Field was discovered in February 2005 upon completion of the Green-Eyed Lease Well No. 1. No other wells have been completed in the field.
3. Shortly after the initial completion, water production began to steadily increase and the well ceased to flow in October 2005.
4. A submersible pump was installed in December 2005 and production from the well is currently 45 BOPD, 450 MCFGPD and 1,500 BWPD.
5. The top allowable in the field is 142 BOPD and 284 MCFGPD. The subject well is assigned a penalized allowable of only 25 BOPD due to a high gas-oil ratio.
6. The reservoir has a strong water drive and restricting gas production from the subject well is not necessary to prevent waste.
7. The lease is overproduced by 2,536 BO and 7,159 MCFG.

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 increased net gas-oil ratio authority with a casinghead gas limit of 550 MCFPD for the Green-Eyed Lease, Well No. 1 in the Hedge (Canyon Reef) Field and cancellation of overproduction will not cause waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Green-Eyed Lease, Well No. 1, in the Hedge (Canyon Reef) Field, Howard County, be authorized to produce under net gas-oil ratio authority with a daily gas limit of 550 MCFPD and that all accumulated overproduction for this lease be canceled.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner