

THE APPLICATION OF KEBO OIL & GAS, INC. TO CONSIDER INCREASED NET GOR FOR ITS PISTOL HILL 2 LEASE WELL NO. 2 IN THE ROMA (YEGUA) FIELD, STARR COUNTY, TEXAS

Heard by: Donna K. Chandler on March 26, 2009

Appearances:

Dale Miller

Representing:

Kebo Oil & Gas, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Kebo Oil & Gas, Inc. requests that all overproduction for its Pistol Hill 2 Lease Well No. 2 in the Roma (Yegua) Field be cancelled. Kebo had originally requested net gas-oil ratio authority but the well is producing within its assigned casinghead gas allowable.

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

DISCUSSION OF EVIDENCE

The Pistol Hill 2 Well No. 2 was completed in the Roma (Yegua) Field in September 2007. On initial test, the well produced at a rate of 8 BOPD, 111 MCFD and 5 BWPD, with a GOR of approximately 22,200 cubic feet per barrel. The top allowable in the field is 74 BOPD and 148 MCFD. The subject well was the first oil well completed in the field and it remains the only oil well in the field. The associated gas field was discovered in 1959 and there is one gas well producing in the field, also operated by Kebo.

Though the well has been producing since September 2007, Kebo failed to file completion papers until August 2008 and the well was assigned an allowable effective March 2008. By that time, the well was overproduced 1,068 BO and 18,821 MCF of gas. Additionally, Kebo has filed production reports for the well for several months indicating "0" oil production. These reports were also in error. The well's monthly allowable of 4,588 MCF is in excess of its ability to produce and the well has never produced in excess of its assigned casinghead allowable.

Kebo had originally requested increased net gas-oil ratio authority for the well. However, a higher allowable is not necessary for the well and Kebo now requests that all overage be canceled. Cumulative casinghead gas overproduction is approximately 14,766 MCF as of February 1, 2009.

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 Pistol Hill 2 Lease Well No. 2 was the first oil well completed in the Roma (Yegua) Field, with a completion date of March 11, 2008. The current top allowable in the field is 74 BOPD and 148 MCFD.
3. The initial potential for the well was 8 BOPD, 111 MCFD and 5 BWPD.
4. The well has never produced at a rate in excess of it's allowable. Overproduction occurred due to late filing of completion papers and incorrect production reports.
5. As of February 1, 2009, the cumulative overage for the well is approximately 14,766 MCF.

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 Pistol Hill 2 Lease Well No. 2 in the Roma (Yegua) Field will not harm correlative rights and will not cause waste.

RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends cancellation of overproduction for the Pistol Hill 2 Lease in the Roma (Yegua) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner