

OIL AND GAS DOCKET NO. 04-0260902

THE APPLICATION OF KEBO OIL AND GAS, INC. FOR FIELDWIDE NET GAS-OIL RATIO AUTHORITY IN THE SULLIVAN CITY (VICKSBURG, LOWER) FIELD, HIDALGO COUNTY, TEXAS

Heard by: Donna K. Chandler on June 12, 2009

Appearances:

Dale Miller

Representing:

Kebo Oil and Gas, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Kebo Oil and Gas, Inc. requests increased net gas-oil ratio authority for all wells in the Sullivan City (Vicksburg, Lower) such that each well has a casinghead gas limit of 350 MCFD. Kebo also requests that all overproduction in the field be canceled.

This application was unopposed and the examiner recommends approval of the requested casinghead gas limit and cancellation of overproduction in the field.

DISCUSSION OF THE EVIDENCE

The Sullivan City (Vicksburg, Lower) Field was discovered in 1955 at a depth of approximately 6,000 feet. There are currently two producing oil wells in the field, both operated by Kebo. Prior to 2007, there had been no oil production from the field since at least 1993. The top allowable in the field is 111 BOPD and the casinghead gas limit is 222 MCFD.

Kebo completed its Betty Steen No. 2 in May 2007. The well had an initial potential of 84 BOPD 197 MCFD and 22 BWPD. The well is a flowing well and was capable of producing at rates in excess of 400 MCFD until recently. The well was being assigned a penalized oil allowable of 29 BOPD due to high gas-oil ratio. However, the water production increased over the life of the well to almost 200 BWPD. Restricting the well to produce within its assigned allowable would cause the well to load. The well has produced only marginally since September 2009 and gas lift is being considered to restore production.

Kebo completed its Betty Steen No. 3 in October 2007. This well had an initial potential of 80 BOPD, 417 MCFD and 0 BWPD. This well has consistently produced over 300 MCFD. The gas-oil ratio for this well has routinely been 18,000-20,000 cubic feet per barrel, regardless of choke size. The well currently produces within its allowable.

Kebo plans to further develop the field and the two current completions demonstrate that restricting production from the wells is not necessary to prevent waste. The wells typically produce at rates in excess of 222 MCFD during the early life of the well. Establishing a daily gas limit of 350 MCFD for all wells in the field will allow wells to produce at capacity during the early life of the well but may also be necessary if gas lift becomes necessary.

The Betty Steen lease is overproduced approximately 11,000 BO and 218 MMCF of gas. This overage has accumulated between the two wells since May 2007. Kebo requests that this overage be canceled.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and there were no protests.
2. The Sullivan City (Vicksburg, Lower) Field was discovered in 1955. The top allowable in the field is 111 BOPD and 222 MCFD.
3. Kebo Oil and Gas, Inc. completed the Betty Steen No. 2 and No. 3 wells in 2007. Prior to 2007, there was no oil production from the field for at least 15 years.
4. Increasing the casinghead gas limit to 350 MCFD for each well in the field will not cause waste.
 - a. The Betty Steen No. 2 initially produced at a rate of 84 BOPD 197 MCFD and 22 BWPD.
 - b. The Betty Steen No. 2 is a flowing well and was capable of producing at rates in excess of 400 MCFD until recently. Increased water production to almost 200 BWPD is causing the well to load and gas lift is being considered to increase production.
 - c. The Betty Steen No. 2 was being assigned a penalized oil allowable of 29 BOPD due to high gas-oil ratio.

- d. The Betty Steen No. 3 initially produced at a rate of 80 BOPD, 417 MCFD and 0 BWPD but has consistently produced over 300 MCFD.
 - e. The gas-oil ratio for the Betty Steen No. 3 has routinely been 18,000-20,000 cubic feet per barrel, regardless of choke size.
- 5. The lease is overproduced approximately 11,000 BO and 218 MMCF of gas.
 - 6. Cancellation of all overproduction in the oil field will not harm correlative rights.

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 350 MCFD per well in the Sullivan City (Vicksburg, Lower) 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 350 MCFD per well. It is also recommended that overproduction in the field be canceled.

Respectfully submitted,

Donna K. Chandler
Technical Examiner