

THE APPLICATION OF KERR-MCGEE OIL & GAS ONSHORE LP TO CONSIDER INCREASED NET GOR AUTHORITY FOR THE N. R. MONTALVO LEASE WELL NO. 16 IN THE SUN, NORTH (6250) FIELD, STARR COUNTY, TEXAS

Heard by: Donna K. Chandler on October 10, 2007

Appearances:

Ana Maria Marsland-Griffith
Scott Crump

Representing:

Kerr-McGee Oil & Gas Onshore LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Kerr-McGee Oil & Gas Onshore LP requests authority to produce its N. R. Montalvo Well No. 16 under increased net gas-oil ratio authority with a daily gas limit of 450 MCFD. Kerr-McGee 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 450 MCFD and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The Sun, North (6250) Field was discovered in 1980. The N. R. Montalvo Well No. 16 is the only producing well in the field at the current time. The top allowable in the field is 111 BOPD, with a casinghead gas limit of 222 MCFD per well.

The N. R. Montalvo No. 16 was completed in December 2006. Kerr-McGee filed completion papers to classify the well as a gas well. Commission staff directed Kerr-McGee to classify the well as an oil well. Kerr-McGee filed Form W-2 with a potential test of 45 BOPD and 676 MCFD. The most recent Form W-10 indicates that the well had a potential of 95 BOPD and 476 MCFD on March 28, 2007. The well receives a penalized allowable of 44 BOPD due to high gas-oil ratio.

Kerr-McGee began a step-rate test on the well in September 2007 in preparation for the net gas-oil ratio hearing. The well immediately died and production has not yet been restored. Kerr-McGee plans to install a rod pump on the well in an effort to restore production. It is estimated that remaining recoverable reserves for the well are 40,000 BO and 133 MMCF, based on the production decline exhibited prior to the testing. Kerr-McGee is hopeful that production can be restored to previous rates of up to 450 MCFD.

The well is overproduced approximately 4,500 BO and 15 MMCF of gas. Kerr-McGee requests that this overage be cancelled.

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 Sun, North (6250) Field was discovered in 1980 and the top allowable in the field is 111 BOPD and 222 MCFD.
3. The N. R. Montalvo is the only producing well in the field at the current time. This well was completed in December 2006.
4. Kerr-McGee began a step-rate test on the well in September 2007 in preparation for the net gas-oil ratio hearing and the well immediately died. Production has not yet been restored but Kerr-McGee plans to install a rod pump on the well in an effort to restore production.
5. Remaining recoverable reserves for the well are estimated to be 40,000 BO and 133 MMCF.
6. Prior to testing, the well was capable of producing up to 450 MCFD.
7. The well is overproduced 4,500 BO and 15 MMCF 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 increased net gas-oil ratio authority with a casinghead gas limit of 450 MCFD for the N. R. Montalvo No. 16 in the Sun, North (6250) 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 N. R. Montalvo No. 16 in the Sun, North (6250) Field be authorized to produce under net gas-oil ratio authority with a daily gas limit of 450 MCFD and that all accumulated overproduction for this lease be canceled.

Respectfully submitted,

Donna K. Chandler
Technical Examiner