

THE APPLICATION OF AMBASSADOR PETROLEUM, INC. TO CONSIDER INCREASED NET GAS-OIL RATIO AUTHORITY FOR THE SCHOMBURG-NAVIDAD RIVER UNIT WELL NO. 4, WESTHOFF (COMBINED ASSOCIATED) FIELD, JACKSON COUNTY, TEXAS

Heard by: Donna K. Chandler on October 23, 2009

Appearances:

Mark Swisher

Representing:

Ambassador Petroleum, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Ambassador Petroleum, Inc. requests authority to produce its Schomburg-Navidad River Unit Well No. 4 under increased net gas-oil ratio authority with a daily gas limit of 550 MCFD. Ambassador 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 MCFD and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The Schomburg-Navidad River Unit Well No. 4 was completed in the Westhoff (Combined Associated) Field in August 2008, with perforations between 5,422 and 6,353 feet. The well was initially classified as a gas well. In March 2009, the well was reclassified to an oil well, with an initial test rate of 7 BOPD, 400 MCFD and 60 BWPD. The top allowable in the oil field is 102 BOPD, with a casinghead gas limit of 204 MCFD per well. The associated gas field is AOF.

Ambassador tested the subject well at various rates. The results of the testing are summarized below:

<u>Choke</u>	<u>Avg. Oil Rate</u>	<u>Avg. Gas Rate</u>	<u>Avg. FTP</u>	<u>Avg. GOR</u>
9/64	3 BOPD	250 MCFD	700 psi	106,000 cuft/bbl
6/64	<1 BOPD	40 MCFD	370 psi	>300,000 cuft/bbl
13/64	4.5 BOPD	460 MCFD	760 psi	97,000 cuft/bbl
15/64	5.5 BOPD	530 MCFD	720 psi	96,500 cuft/bbl
8/64	2 BOPD	250 MCFD	640 psi	122,000 cuft/bbl

The testing demonstrates that the well produces more efficiently at higher rates than at restricted rates. Under the current allowable, the well is receiving a penalized allowable of only 3 BOPD due to high gas-oil ratio. Restricting the well to this rate is not necessary to prevent waste.

Ambassador estimates that the lease is overproduced less than 200 BO and approximately 67 MMCF of gas as of September 1, 2009. Ambassador requests that all 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 Schomburg-Navidad River Unit Well No. 4 was completed in the Westhoff (Combined Associated) Field in August 2008 as a gas well. The well was reclassified to an oil well in March 2009.
3. The top allowable in the field is 102 BOPD and 204 MCFD. The subject well is assigned a penalized allowable of only 3 BOPD due to high gas-oil ratio.
4. A step rate test of the well demonstrates that the wells produces more efficiently at high rates than at restricted rates. The gas-oil ratio is very high regardless of rate, but is less than 100,000 cubic feet per barrel when the well is produced at rates in excess of the current casinghead gas limit.
5. The well is capable of producing approximately 6 BOPD and almost 550 MCFD. Producing the well at this rate will not cause waste.
6. The lease is overproduced approximately 67 MMCF of casinghead 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 550 MCFD for the Schomburg-Navidad River Unit Well No. 4 in the Westhoff (Combined Associated) 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 Schomburg-Navidad River Unit Well No. 4 in the Westhoff (Combined Associated) Field be authorized to produce under net gas-oil ratio authority with a daily gas limit of 550 MCFD and that all accumulated overproduction for this lease be canceled.

Respectfully submitted,

Donna K. Chandler
Technical Examiner