

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 02-0277579

THE APPLICATION OF GINGER OIL COMPANY (A) TO CONSIDER AN MER ALLOWABLE FOR THE RANCH D UNIT LEASE, WELL NO. 1A IN THE SOUTH LA WARD (8,000 LOWER) FIELD, JACKSON COUNTY, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner
Randall Collins - Legal Examiner

HEARING DATE: September 25, 2012

APPEARANCES:

REPRESENTING:

APPLICANT:

Scott Robinson

Ginger Oil Company (A)

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Ginger Oil Company (A) requests that an MER allowable of 155 BOPD be established for its Ranch D Unit Well No. 1A in the South La Ward (8,000 Lower) Field. Ginger Oil also requests that all accumulated overproduction be cancelled for this lease.

The application is unopposed and the examiners recommend approval of the requested MER and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The South La Ward (8,000 Lower) Field was discovered in July 2009 and has a top allowable of 121 BOPD. The Ranch D Unit Well No. 1A is the only producing oil well in the field and Ginger Oil is the only operator in the field. The field is governed by Statewide rules.

Ginger Oil recompleted the Ranch D Unit Well No. 1A, in July 2009, from the South La Ward (Clements B Sand) Field found at a depth of 8,467 feet. The 1A was completed with perforations from 7,944 feet to 7,950 feet and produced thru tubing. The initial potential for the well was 180.6 BO, 130 MCF and no water flowing thru a 8/64" choke with

a 1,248 psi flowing tubing pressure. Oil production has remained steady over time. The average oil rate varied from 135 BOPD to 156 BOPD since July 2010. The producing gas-oil ratio is low and remained nearly constant at a rate between 900-1,000 cubic feet per barrel, regardless of rate.

During August and September 2012, Ginger Oil tested the Ranch D Unit Well No. 1A at various rates to determine sensitivity. The results of the test are summarized as follows:

<u>choke size</u>	<u>oil rate</u>	<u>gas rate</u>	<u>gas-oil ratio</u>	<u>FTP</u>
8.5/64"	158 BOPD	145 MCFD	918 cuft/bbl	1,250 psi
8/64"	132 BOPD	122 MCFD	924 cuft/bbl	1,250 psi
7.5/64"	115 BOPD	114 MCFD	991 cuft/bbl	1,200 psi
7/64"	90 BOPD	80 MCFD	889 cuft/bbl	1,170 psi

The producing gas-oil ratio remained nearly constant through out the rate testing. At the highest daily test rate of 158 BOPD and 145 MCFD, the GOR was low at 918 cuft/bbl. When the well was allowed to produce on a 7.5/64" choke at a rate of 115 BOPD, below the 121 BOPD allowable, the well's flowing tubing pressure began to decrease and the well began to load up. The flowing tubing pressure dropped off further using a 7/64" choke. Ginger Oil believes at the highest production rate, excessive draw down may cause water coning and allow premature water production.

The reservoir was identified using 3D seismic. The reservoir is within a relatively small faulted anticline structure approximately 65 acres in size. It is unlikely an additional well will need to be drilled to recover the existing reserves. The flowing tubing pressure of the well has remained nearly constant at 1,250 psi for over three years. The reservoir energy is primarily derived from a strong water drive. Ginger Oil believes that producing the well slightly below full capacity (up to 155 BOPD) will not harm the reservoir.

The well is overproduced an by 3,926 BO as of August 30, 2012. Ginger Oil 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 South La Ward (8,000 Lower) Field was discovered in July 2009 and has a top allowable of 121 BOPD. The Ranch D Unit Well No. 1A is the only producing oil well in the field.
3. The Ranch D Unit Well No. 1A was recompleted in July 2009 from the South La Ward (Clements B Sand) Field found at a depth of 8,467 feet. The initial

potential for the well was 180.6 BOPD, 130 MCF and no water flowing thru a 8/64" choke with a 1,248 psi flowing tubing pressure.

4. Variable rate testing of the Ranch D Unit Well No. 1A indicates that producing at rates of up to 155 BOPD will not cause waste.
 - a. The average maximum oil rate was 158 BOPD on a 8.5/64" choke.
 - b. The well began to load up when the well was choked back to produce at rate below the allowable of 121 BOPD.
 - c. The well's GOR remained nearly constant between 889 to 991 scf/bbl when the well was tested between 90 and 158 BOPD.
 - d. The flowing tubing pressure of the well has remained nearly constant at 1,250 psi for over three years.
5. The reservoir is within a relatively small faulted anticline structure approximately 65 acres in size. The reservoir energy is primarily derived from a strong water drive.
6. The well is overproduced by 3,926 BO as of August 30, 2012. Cancellation of this overage will not harm correlative rights.

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 an MER of 155 BOPD for the Ranch D Unit Well No. 1A and cancellation of overproduction for the well in the South La Ward (8,000 Lower) Field will not cause waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend approval of an MER of 155 BOPD and cancellation of overproduction for the Ranch D Unit Well No. 1A in the South La Ward (8,000 Lower) Field in Jackson County, Texas.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner

Randall Collins
Legal Examiner