

OIL AND GAS DOCKET NO. 03-0234820

THE APPLICATION OF STROUD PRODUCTION LLC TO ESTABLISH AN MER FOR THE HIGH ISLAND FIELD, GALVESTON COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: May 1, 2003

Hearing held: July 23, 2003

Appearances

Dale Miller

Representing

Stroud Production LLC

EXAMINER'S REPORT AND PROPOSAL FOR DECISION

STATEMENT OF THE CASE

Stroud Production LLC ("Stroud") wants all wells in the High Island Field, Galveston County, Texas, to be able to produce up to 250 BOPD. Stroud also requests that all overproduction in the field be canceled. Stroud only had data from its Overton Cade Lease Well No. 1 and the examiner recommends that the increased MER of 250 BOPD be adopted for the tested well only.

DISCUSSION OF THE EVIDENCE

Production around the High Island salt dome was discovered in 1922. There are still 110 wells on the dome, and apart from Stroud's wells, the highest producing rate is 31 BOPD. The oil allowable for this piercement-type salt dome is an MER of 100 BOPD.

Stroud is drilling new wells underneath the salt overhang and encountering new production. Its Overton Cade Lease, Well No. 1 was tested in March, 2003, at an initial rate of 216 BOPD with a gas/oil ratio of 1222 cubic feet per barrel. The well was completed open hole between 2574' and 3605' in a 350' thick pay section, and produced oil with 26 degrees API gravity. Cumulative production between March and June is 12,800 BO.

The well was step-rate tested between June 6 and July 6, 2003. On an 11/64th inch choke, the well produced an average of 217 BOPD and 66 MMCF of gas, on a flowing tubing pressure of 495 psi. When the choke was reduced to 10/64th inches, the gas/oil ratio decreased from 302 cubic feet per barrel to 226, and the flowing tubing pressure decreased to 450 psi. The decreasing flowing tubing pressure indicates the well is beginning to load with fluid. The gas/oil ratio is still well below 2000 cubic feet per barrel.

The highest daily oil rate during the test of the Overton Cade No. 1 was 227 BOPD. Stroud intended to test a second well for increased MER but this well began to produce too much water to continue the test. Stroud plans additional wells and would prefer that the increased MER be adopted

for the whole field. During the testing period, this well accumulated about 3000 barrels of overproduction. No other well in the field produces close to the current allowable of 100 BOPD and cancellation of this overproduction will not reduce the production from any offsetting well. Requiring the Overton Cade to produce at a reduced rate to make up overproduction will cause it to be produced inefficiently.

FINDINGS OF FACT

1. Notice of this hearing was issued to the operators of record in the High Island Field on June 27, 2003.
2. The High Island Field was discovered on a salt dome in 1922, and still has 110 wells.
3. Stroud has been drilling new wells under the salt overhang and encountered undrained intervals.
4. Stroud completed its Overton Cade Well No. 1 in March, 2003, with an initial potential of 216 BOPD, 57 MCF/D and no water.
5. The highest deliverability of any of the other wells in the field is 36 BOPD and most wells still active make much less.
6. Cumulative production from the Overton Cade No. 1 during the first three months of production is 12,000 BO and MMCF of gas.
7. The step-rate test of the Overton Cade No. 1 well, conducted between June 8, 2003, and July 8, shows the well produces efficiently at an increased rate.
 - a. When the choke size is decreased below 11/64th inches, the flowing tubing pressure decreases indicating the well is loading with liquid.
 - b. The gas producing rate increases slightly at the highest rate, but is still well below 2000 cubic feet per barrel.
8. The Overton Cade No. 1 accumulated about 3000 barrels of overproduction during the test period.
9. Requiring the Overton Cade No. 1 to be produced at a lower rate to make up the well's overproduction would cause the well to be produced inefficiently.

CONCLUSIONS OF LAW

1. Proper notice was given to all necessary parties as required by applicable statutory and regulatory provisions.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.

3. Producing the Stroud Production LLC. Overton Cade Lease Well No. 1 at a rate of 250 BOPD will prevent waste and promote conservation.
4. Cancellation of overproduction for the Stroud Production LLC. Overton Cade Lease Well No. 1 will prevent waste and not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the request of Stroud Production LLC ("Stroud") to produce its Overton Cade Lease Well No. 1, High Island Field at a daily oil rate of 250 barrels be granted. All overproduction for this well should be canceled.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: August 5, 2003