



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 03-0283237

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THE APPLICATION OF FAIRWAYS EXPLORATION & PROD., LLC TO CONSIDER A  
MAXIMUM EFFICIENT RATE ALLOWABLE FOR THE GALLO LEASE, WELL NO. 1A,  
IN THE GALLO (FRIO B-15) FIELD, CHAMBERS COUNTY, TEXAS

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HEARD BY: Paul Dubois - Technical Examiner  
Terry Johnson - Legal Examiner

DATE OF HEARING: July 26, 2013

APPEARANCES:

REPRESENTING:

APPLICANT:

Dale Miller

Fairways Exploration & Prod., LLC

### EXAMINER'S REPORT AND RECOMMENDATION

#### STATEMENT OF THE CASE

Fairways Exploration & Prod., LLC (Fairways) requests a maximum efficient rate (MER) allowable for its Gallo Lease, Well No. 1A in the Gallo (Frio B-15) Field. The application is unopposed and the examiners recommend approval of the MER allowable.

#### DISCUSSION OF EVIDENCE

The Gallo Lease Well No. 1A is located 5.8 miles west of Stowell, Chambers County, Texas. The well was completed on January 3, 2013 and represents the discovery well for the Gallo (Frio B-15) Field. The field is operating on a discovery allowable of 440 BOPD and a corresponding daily gas limit of 880 MCFPD. The well was drilled to a depth of 9,350 feet and produces from 9,226 to 9,240 feet. It was perforated but not stimulated. The well log submitted by the Applicant identifies the Frio B-15 zone from 9,223 to 9,295 feet, a thickness of 72 feet. Within this interval the Applicant estimates a gross pay thickness of approximately 22.5 feet. The reservoir exhibits water drive characteristics, and the well perforations are at the top of the correlative interval.

During the initial potential test on January 7, 2013 the well produced 310 BOPD, 73

MCFGPD, and 9 BWPD. The gas to oil ratio (GOR) was 235 SCF/BO and the flowing tubing pressure was 2,443 psig. The oil gravity was 36.0°. A bottom hole pressure survey was conducted on April 1, 2013. With producing rates of 526 BOPD, 150 MCFPD and 27 BWPD, the survey indicated an 18 psi drawdown and a measured permeability of 427 millidarcies.

From February through July the Applicant has tested different choke sizes (from 8/64<sup>ths</sup> to 16/64<sup>ths</sup>) on the production characteristics of the well. Increasing choke size generally corresponded to increased oil production and decreased GOR indicating unloading. Decreasing choke size generally did not result in a corresponding increase in flowing tubing pressure, suggesting the well was fluid loading with smaller chokes. The Applicant did not test chokes larger than 16/64<sup>ths</sup>; it is possible that the well could efficiently maintain a higher production rate with a less restricted choke.

Nearly six months of production data has indicated (1) relatively stable oil and gas production at average rates of 509 BOPD and 178 MCFPD, respectively, (2) increasing water production, currently around 100 BWPD, which equates to a water cut of about 18%, and (3) fairly constant GOR of about 356 SCF/BO, with higher pressures on smaller chokes. The Applicant is seeking a MER of 600 BOPD, which is reasonable given the well's observed performance. The Applicant is not seeking a corresponding adjustment to the daily gas limit which is currently sufficient at 880 MCFD.

The Applicant has not been notified of overproduction on the lease as the well completion report has not yet been approved by the Commission. The Applicant anticipates that there will be an overproduction of oil once the report processing is complete, and requests that the overproduction be cancelled or held in abeyance. The examiners recommend approval of the 600 BOPD MER allowable for the Gallow Lease, Well No. 1A and the cancellation of all overproduction.

#### **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 Gallo (Frio B-15) Field is a newly discovered oil field operating on a discovery allowable of 440 BOPD and a daily gas limit of 880 MCFPD.
3. The Gallo Lease Well No. 1A is the discovery well for the Gallo (Frio B-15) Field.
4. The well reported an initial potential of 310 BOPD, 73 MCFGPD, 9 BWPD, a GOR of 235 SCF/BO and a flowing tubing pressure of 2,443 psig.

5. Over six months the well exhibits relatively stable oil and gas production at average rates of 509 BOPD and 178 MCFPD, respectively, and a fairly constant GOR of about 356 SCF/BO.
6. The well shows signs of loading when the choke is restricted and signs of unloading when the choke is increased.
7. The well has a strong water drive, no discernable gas cap, and a relatively low solution gas component.

**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. The MER allowable of 600 BOPD for the Gallo Lease Well No. 1A will not cause waste and will not harm correlative rights.

**RECOMMENDATION**

Based on the above findings and conclusions of law, the examiners recommend approving the MER allowable of 600 BOPD for the Gallo Lease Well No. 1A in the Gallo (Frio B-15) Field, and cancelling all overproduction of oil.

Respectfully submitted,



Paul Dubois  
Technical Examiner



Terry Johnson  
Legal Examiner