

OIL AND GAS DOCKET NO. 7C-0248845

THE APPLICATION OF HENRY PETROLEUM LP TO ESTABLISH AN MER FOR THE OLIVIA LEASE WELL NO. 1 AND THE FAYE LEASE WELL NO. 1 IN THE SPRABERRY (TREND AREA) FIELD, UPTON COUNTY, TEXAS

Heard by: Donna K. Chandler on October 20, 2006

Appearances:

Greg Cloud

Representing:

Henry Petroleum LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Henry Petroleum LP requests an MER of 400 BOPD for its Faye No. 1 in the Spraberry (Trend Area) Field. Henry had requested an MER for its Olivia No. 1, but at the hearing, Henry requested only that the overage for the Olivia No. 1 be cancelled.

The application is unopposed and the examiner recommends approval of the requested MER for the Faye No. 1 and cancellation of overproduction for both the Faye No. 1 and Olivia No. 1 leases.

DISCUSSION OF EVIDENCE

The Spraberry (Trend Area) Field was discovered in 1952 and production is from the Upper Spraberry, Lower Spraberry, Dean and Wolfcamp formations. The top allowable in the field is 121 BOPD, with an allowable gas-oil ratio of 4,000 cubic feet per barrel.

Under the density and allocation rules for the Spraberry (Trend Area) Field, the top allowable for the Faye No. 1 would be 168 BOPD, based on an assignment of 121 acres to the well. The Faye No. 1 was completed in June 2006 with an initial potential of 92 BOPD, 33 MCFD and 336 BWPD. The well was tested at various rates during September and October to determine rate sensitivity. The choke was adjusted incrementally from 10/64" to 21/64" and the producing rate varied between 114 BOPD and 397 BOPD, on average. The gas-oil ratio was very constant, ranging only from 1,150 cubic feet per barrel to 1,250 cubic feet per barrel. Henry requests an MER of 400 BOPD for this well.

The Olivia No. 1 was completed in January 2006 and is assigned 80 acres, resulting in a top allowable of 121 BOPD. On initial test, the well produced 122 BOPD, 88 MCFD and 684 BWPD. This well was initially flowing, but was soon equipped with a pump. Henry produced this well at various rates by adjusting the runtime of the pump and increasing the casing choke size. The well appeared to be rate sensitive with lower gas-oil ratios at lower rates. However, the gas-oil ratio is exhibiting a steady increase with time. The oil producing rate has now decreased to near the allowable rate. Henry requests that all overproduction for this well 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 Spraberry (Trend Area) Field was discovered in 1952 the top allowable in the field is 121 BOPD for a well with 80 acres, with an allowable gas-oil ratio of 4,000 cubic feet per barrel.
3. For the Faye No. 1, the top allowable is 168 BOPD, based on an assignment of 121 acres to the well.
4. The Faye No. 1 is a flowing well and is not rate sensitive. When the rate was varied between 114 BOPD and 397 BOPD, the gas-oil ratio was very constant, ranging only from 1,150 cubic feet per barrel to 1,250 cubic feet per barrel.
5. The top allowable for the Olivia No. 1 is 121 BOPD based on 80 acres assigned.
6. The Olivia No. 1 is equipped with a pump. Henry varied the rate on this well and found that the well is somewhat rate sensitive. The well now produces near its allowable rate.
7. Cancellation of overproduction for the subject two leases 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 400 BOPD per well on the Faye No. 1 and cancellation of overproduction for the Faye lease and the Olivia lease in the Spraberry (Trend Area) Field will prevent waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of an MER of 400 BOPD for the Faye No. 1 in the Spraberry (Trend Area) Field. It is also recommended that all overproduction for the Faye lease and the Olivia lease be cancelled.

Respectfully submitted,

Donna K. Chandler
Technical Examiner