

OIL AND GAS DOCKET NO. 08-0233063

**THE APPLICATION OF CROWNQUEST OPERATING, LLC., FOR AN MER FOR ITS
KEYSTONE CATTLE COMPANY LEASE WELL NO. 441 IN THE KEYSTONE, SOUTH
(DEVONIAN) FIELD, WINKLER COUNTY, TEXAS**

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: November 15, 2002

Hearing held: December 9, 2002

Appearances

George C. Neale
Blaine Lewis

Representing
CrownQuest Operating, LLC.,

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

CrownQuest Operating is seeking an MER to allow its Keystone Cattle Company Lease Well No. 441 in the Keystone, South (Devonian) Field to produce up to 3300 BO per day and cancellation of this well's overproduction. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Keystone, South (Devonian) was discovered in 1957, but produced only a nominal amount before March of 2001, when Burlington Resources recompleted wells on the Keystone Cattle Company Lease to the Devonian formation. There had been no production reported in this field since the 1960's, and Burlington was seeking a saltwater source for a nearby waterflood. CrownQuest has taken over field operations and drilled the third well in the field, the Keystone Cattle Company Lease Well No. 441, in November, 2002. The applicant believes that the reservoir covers only 300 acres and no additional wells will be necessary to deplete it.

Well No. 441 was perforated from 8607' to 8681' and flowed at a rate of 240 BOPD and 198 MCF/D, with no water. After the well was stimulated with acid on November 14, 2002, the daily oil rate immediately increased to 1200 barrels and has been increasing since. The tubing is fairly large at 3-1/2 inches and high rates are necessary to lift the liquids. Higher producing rates have also apparently reduced the skin effect on the perforations.

The Keystone, South (Devonian) Field is on statewide spacing and density rules, and an mer allowable of 700 BOPD was adopted June 25, 2002, under Docket No. 08-0230949. Cumulative production from Well No. 441 totals 53,000 barrels of oil. The well has still not produced any water though there is a strong water drive.

Well No. 441 was flowed through a 36/64th inch choke until November 25 and averaged about 1900 BOPD. The daily gas rate averaged 1 MMCF until November 21, 2002, when a compressor was installed. The well had previously been venting some gas and the installation of the compressor

increased the measured daily gas rate to about 1300 MCF.

The well was then tested on a 50/64th inch choke. The daily oil rate increased to 3200 BO while the gas/oil ratio did not increase significantly from 700 cubic feet per barrel. When the well was tested on a 52/64th inch choke, the daily oil rate increased to an average of 3360 BO while the gas/oil ratio eventually stabilized at 800 MCF/D. This is the same gas/oil ratio as the well had before acid stimulation and the same as in the offset wells. The bottomhole pressure has not yet decreased in the older wells in the field and these wells were unaffected by the completion of Well No. 441. The applicant believes the amount of oil this reservoir will produce will be determined by the water drive and will be essentially unaffected by any changes in the producing gas/oil ratio.

Requiring Well No. 301 to produced at a reduced rate to make up overproduction is not necessary to protect correlative rights. All the wells in the field are on the Keystone Cattle Company Lease and no correlative rights will be damaged if the overproduction of Well No. 301 is canceled.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice on November 26, 2002.
2. The Keystone, South (Devonian) Field was discovered in 1957, but there was little production before the field was abandoned in the 1960's.
3. Two wells on the Keystone Cattle Company Lease were recompleted to the Devonian in 2001, and the applicant drilled the Keystone Cattle Company Well No. 441 in November, 2002.
4. Well No. 441 was perforated from 8607' to 8681' and flowed at a rate of 240 BOPD and 198 MCF/D, with no water.
5. After the well was stimulated with acid on November 14, 2002, the daily oil rate immediately increased to 1200 barrels.
6. The allowable for wells in the Keystone, South (Devonian) Field is based on an mer of 700 BOPD, adopted in June, 2002.
7. The amount of oil this reservoir will produce will be determined by the water drive and will be essentially unaffected by any changes in the producing gas/oil ratio.
 - a. When Well No. 441 was flowed through a 36/64th inch choke it averaged 1900 BOPD and 1300 MCF, for a gas/oil ratio of 700 cubic feet per barrel.
 - b. On a 50/64th inch choke the daily oil rate increased to 3200 BO while the gas/oil ratio did not increase significantly.
 - c. On a 52/64th inch choke the daily oil rate increased to an average of 3360 BO while the gas/oil ratio eventually stabilized at 800 MCF/D.
 - d. This is the same gas/oil ratio as the well had before acid stimulation and the same as in the offset wells.

- e. The bottomhole pressure has not yet decreased in the older wells in the field and these wells were unaffected by the completion of Well No. 441.
8. All the wells in this field are on the same lease, and requiring Well No. 441 to make up overproduction is not necessary to protect correlative rights.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The requested increase in oil allowable for CrownQuest Operating, LLC., Keystone Cattle Company Lease Well 441 in the Keystone, South (Devonian) Field will prevent waste and will protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the CrownQuest Operating, LLC., Keystone Cattle Company Lease Well No. 441 in the Keystone, South (Devonian) Field be allowed to produce up to 3300 barrels of oil per day. All overproduction for the CrownQuest Operating, LLC., Keystone Cattle Company Lease Well No. 441 should be canceled.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner