

THE APPLICATION OF CITATION OIL & GAS CORPORATION TO ESTABLISH AN MER FOR THE RENAUD LEASE, WELL NO. 7 IN THE ABELL (PERMIAN-GENERAL) FIELD, CRANE COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on February 3, 2011

Appearances:

Dale E. Miller

Representing:

Citation Oil & Gas Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Citation Oil & Gas Corporation requests an MER of 200 BOPD for its Renaud No. 7 in the Abell (Permian-General) Field. Citation Oil & Gas also requests that all accumulated overproduction be cancelled for this lease.

The application is unopposed and the examiner recommends approval of the requested MER and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The Renaud No. 7 was granted authority in August 2008 to commingle perforations in the Abell (Permian-General) Field at a depth of 3,213 feet with perforations in the Abell (Detrital) Field at a depth of 4,928 feet. The Renaud No. 7 was recompleted in December 2008 by drilling out the CIBP and perforating in the Detrital zone. The well had an initial potential of 69 BOPD and 948 BWPD as a pumping well. The well produced at its highest rate of 200 BO and 2,680 BW on August 17, 2009. The top allowable in the field is 93 BOPD.

The Renaud No. 7 is currently producing with an electrical submersible pump. The pumping rate was not decreased to produce within the allowable of 93 BOPD but was monitored to determine GOR, WOR oil, gas, water rates. The oil rate for the well varied between 80 to 130 BOPD during its test period of December 2010 thru January 2011. The producing gas-oil ratio was low between 800 to 1,438 scf/bbl during the test. The GORs declined as the well was produced at higher oil rates. The WOR decreased from 97% to 95% as the oil rate increased during the test period. Citation believes that producing the well at capacity (up to 200 BOPD) will not harm the reservoir. The Abell (Detrital) zone was previously produced and was abandoned as a depleted zone. Citation plans to increase

the existing pump capacity by 10% to lower the current fluid level from 1,000 feet above the perforations down to 200 feet above the perforations. As a larger pump is installed, oil production is expected to increase. Cumulative overproduction is estimated to be 2,835 BO for the well. It is requested that all overage be canceled.

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 Renaud No. 7 was granted authority in August 2008 to commingle the Abell (Permian-General) Field at a depth of 3,213 feet with the Abell (Detrital) Field at a depth of 4,928 feet.
3. The Abell (Detrital) zone was previously produced and was abandoned as a depleted zone.
4. The Renaud No. 7 was recompleted in December 2008 by adding the Detrital zone at 4,928 feet. The well had an initial potential of 69 BOPD and 948 BWPD.
5. The top allowable for the Abell (Permian-General) Field is 93 BOPD.
6. The Renaud No. 7 currently produces with an electrical submersible pump.
 - a. The maximum oil rate of 200 BOPD was produced in August 2009.
 - b. The pumping rate was not decreased to produce within the allowable of 93 BOPD but was monitored to determine GOR, WOR oil, gas, water rates.
 - c. The producing gas-oil ratio is low, 800 -1,438 cubic feet per barrel and declines at higher producing rates. The WOR remain the lowest at the higher production rates.
7. Producing the Renaud No. 7 at rates up to 200 BOPD will not cause waste.
8. The subject lease is overproduced approximately 2,835 BO.

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 200 BOPD and cancellation of overproduction for the Renaud Lease (24248) Well No. 7 for the Abell (Permian-General) Field will not cause 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 200 BOPD and cancellation of overproduction for the Renaud No. 7 for the Abell (Permian-General) Field.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner