

THE APPLICATION OF OXY USA WTP LP TO CONSIDER AN MER ALLOWABLE FOR EACH WELL IN THE DIAMOND -M- (STRAWN) FIELD, SCURRY COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner
Michael Crnich - Legal Examiner

HEARING DATE: August 9, 2012

APPEARANCES: **REPRESENTING:**

APPLICANT:

Olga Kobzar
Hirofumi Yamamoto

Oxy USA WTP LP

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Oxy USA WTP LP ("Oxy") requests approval of an MER allowable of 400 BOPD for each well in the Diamond -M- (Strawn) Field. Oxy also requests that all overproduction in the field be canceled.

The application is unopposed and the examiners recommend approval of the requested field MER allowable and cancellation of all overproduction in the field.

DISCUSSION OF EVIDENCE

The Diamond -M- (Strawn) Field was discovered in October 2011 upon completion of the General Scurry Lease, Well No. 1, by Oxy. On initial test, the well pumped at a rate of 1,090 BOPD, 688 MCFGPD and 565 BWPD, but the well has not yet been added to the proration schedule. Oxy is the only operator in the field and is currently planning on drilling additional development wells. The discovery allowable in the field is 270 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel. Cumulative production from the field through June 2012 is 110.8 MBO and 91.6 MMCFG.

The Diamond -M- (Strawn) Field produces from the Strawn formation at an average depth of 7,700 feet. The primary drive mechanisms are solution gas drive and a strong water drive. The General Scurry Lease, Well No. 1, is producing with a submergible pump and has a current water to oil ratio of 2.0. The well produces at rates of 290 to 410 BOPD with a constant gas oil ratio of 830 cubic feet per barrel. Oxy submitted an oil cut and a

water oil ratio versus cumulative oil production plots. The plots showed a constant trend that has not changed since the well was originally completed in October 2011. Since the reservoir has a strong water drive, Oxy believes that oil will be swept past the producing well if the production rate is curtailed. Oxy opined that producing each well in the field at rates in excess of 400 BOPD is necessary to recover the remaining reserves that would be available to each well.

Based on the testing results, Oxy requests an MER allowable of 400 BOPD for each well in the field. Due to producing at rates in excess of the current allowable, the producing well is overproduced by 23,084 barrels of oil. Oxy also requests that all overproduction in the Diamond -M- (Strawn) Field 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 Diamond -M- (Strawn) Field was discovered in October 2011 upon completion of the General Scurry Lease, Well No. 1, by Oxy USA WTP LP ("Oxy").
 - a. On initial test, the well pumped at a rate of 1,090 BOPD, 688 MCFGPD and 565 BWPD, but the well has not yet been added to the proration schedule.
 - b. Oxy is the only operator in the field and is currently planning on drilling additional development wells.
 - c. The discovery allowable in the field is 270 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel.
3. The Diamond -M- (Strawn) Field produces from the Strawn formation at an average depth of 7,700 feet. The primary drive mechanisms are solution gas drive and a strong water drive.
4. An MER allowable of 400 BOPD for each well in the field is appropriate for the Diamond -M- (Strawn) Field.
 - a. The General Scurry Lease, Well No. 1, is producing with a submersible pump and has a current water to oil ratio of 2.0.
 - b. The well produces at rates of 290 to 410 BOPD with a constant gas oil ratio of 830 cubic feet per barrel.

- c. An oil cut and a water oil ratio versus cumulative oil production plots show a constant trend that has not changed since the well was originally completed in October 2011.
 - d. Since the reservoir has a strong water drive, oil will be swept past the producing well if the production rate is curtailed.
 - e. Producing each well in the field at rates in excess of 400 BOPD is necessary to recover the remaining reserves that would be available to each well.
5. Due to producing at rates in excess of the current allowable, the producing well is overproduced by 23,084 barrels of oil.

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 allowable of 400 BOPD for each well in the Diamond - M- (Strawn) Field and cancellation of all overproduction in the field will prevent waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiners recommend that the Commission approve an MER allowable of 400 BOPD for each well in the Diamond -M- (Strawn) Field and cancel all overproduction in the field, as requested by Oxy USA WTP LP.

Respectfully submitted,

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Technical Examiner

Michael Crnich
Legal Examiner