



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

OIL AND GAS DOCKET NO. 8A-0284850

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THE APPLICATION OF SHARP IMAGE ENERGY, INC. TO CONSIDER A MER ALLOWABLE FOR THE SIE DAUGHERTY PU LEASE, WELL NO. 1, JAYTON (PENN., LOWER) FIELD, KENT COUNTY, TEXAS

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HEARD BY: Richard D. Atkins, P.E. - Technical Examiner  
Marshall F. Enquist - Legal Examiner

HEARING DATE: November 6, 2013

APPEARANCES: REPRESENTING:

**APPLICANT:**

Dale E. Miller

Sharp Image Energy, Inc.

**EXAMINERS' REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Sharp Image Energy, Inc. ("Sharp") requests approval of a MER oil allowable of 125 barrels of oil per day for its SIE Daugherty PU Lease, Well No. 1 (API No. 42-263-32020), Jayton (Penn., Lower) Field, Kent County, Texas. Sharp also requests that all over-production for the well be canceled.

The application is unopposed and the examiners recommend approval of the requested 125 BOPD MER allowable and cancellation of all over-production for the SIE Daugherty PU Lease, Well No. 1, Jayton (Penn., Lower) Field, as requested by Sharp.

**DISCUSSION OF EVIDENCE**

The SIE Daugherty PU Lease, Well No. 1, was completed in the Jayton (Penn., Lower) Field in February 2013 with perforations between 6,554 feet and 6,563 feet. On initial test, the well flowed on a 10/64" choke at a rate of 94 BOPD with no gas or water production. The top oil allowable in the field is 91 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel. Sharp is the only operator with producing wells in the field and the SIE Daugherty PU Lease, Well No. 1, is the second producing well carried on the oil proration schedule.

The SIE Daugherty PU Lease, Well No. 1, drilling location was discovered by a 3-D seismic survey and is almost one mile north of the other producing well. On April 12, 2013, the well was placed on artificial lift and began pumping 24 hours per day producing through a 14/64" choke. Since the well is a pumping well and has no gas production, Sharp believes that the ultimate recovery for the well will be decreased if the oil production is curtailed. As a result, a MER oil allowable will increase the ultimate recovery from the well. Sharp requests approval of a MER allowable of 125 barrels of oil per day for its SIE Daugherty PU Lease, Well No. 1.

Due to producing the well at rates in excess of its current allowable, the SIE Daugherty PU Lease, Well No. 1, is over-produced through September 2013 by 2,133 barrels of oil. Sharp also requests that all over-production for the subject well be canceled.

### **FINDINGS OF FACT**

1. Notice of this hearing was given to all parties entitled to notice at least ten (10) days prior to the date of hearing and no protests were received.
2. The SIE Daugherty PU Lease, Well No. 1, was completed in the Jayton (Penn., Lower) Field in February 2013 with perforations between 6,554 feet and 6,563 feet.
  - a. On initial test, the well flowed on a 10/64" choke at a rate of 94 BOPD with no gas or water production.
  - b. The top oil allowable in the field is 91 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel.
  - c. Sharp Image Energy, Inc. ("Sharp") is the only operator with producing wells in the field and the SIE Daugherty PU Lease, Well No. 1, is the second producing well carried on the oil proration schedule.
3. The SIE Daugherty PU Lease, Well No. 1, drilling location was discovered by a 3-D seismic survey and is almost one mile north of the other producing well.
4. A MER oil allowable of 125 barrels of oil per day is appropriate for the SIE Daugherty PU Lease, Well No. 1.
  - a. On April 12, 2013, the well was placed on artificial lift and began pumping 24 hours per day producing through a 14/64" choke.

- b. Since the well is a pumping well and has no gas production, the ultimate recovery for the well will be decreased if the oil production is curtailed.
  - c. A MER oil allowable will increase the ultimate recovery from the well.
5. Due to producing the well at rates in excess of its current allowable, the SIE Daugherty PU Lease, Well No. 1, is over-produced through September 2013 by 2,133 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 a MER oil allowable of 125 barrels of oil per day and cancellation of all over-production for the SIE Daugherty PU Lease, Well No. 1, Jayton (Penn., Lower) 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 a MER oil allowable of 125 barrels of oil per day and cancel all over-production for the SIE Daugherty PU Lease, Well No. 1, Jayton (Penn., Lower) Field, as requested by Sharp Image Energy, Inc.

Respectfully submitted,



Richard D. Atkins, P.E.  
Technical Examiner



Marshall F. Enquist  
Legal Examiner