



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 04-0288124

THE APPLICATION OF KILLAM OIL CO., LTD, TO CONSIDER A MER ALLOWABLE FOR GEO. H. SPEER LEASE, WELL NO. 25, SUN (G-1) FIELD, STARR COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Michael Crnich – Hearings Examiner

DATE OF HEARING: May 9, 2014

APPEARANCES: **REPRESENTING:**

APPLICANT:

Clark Jobe
Ted Allen

Killam Oil Co., Ltd.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of Killam Oil Co., Ltd. ("Killam") to consider a most efficient rate (MER) allowable for its Geo. H. Speer Lease, Well no. 25, in Starr County, Texas. Killam requests authority to produce 150 BOPD. The request was not protested. The examiners recommend approval of the 150 BOPD MER allowable and the cancellation of any overproduction.

DISCUSSION OF EVIDENCE

The Sun (G-1) Field, a sand interval within the Frio Formation, was discovered on August 22, 1955 at a depth of 5,101 feet. Currently there are three wells on schedule in the field—two oil and one gas, all operated by Killam. The gas well is temporarily abandoned. The Speer No. 25 well was completed on October 16, 2013 and produces from a depth of 5,108 to 5,114 feet. The well was perforated on completion but not stimulated. On 24-hour initial potential testing the well flowed 209 bbl oil, 167 MCF gas

and 197 bbl water. The gas-oil ratio was 799 cf/bbl. The field is on Statewide spacing and density rules providing for 40 acre units, 467 feet lease line spacing and 1,200 feet between well spacing.

The initial shut in tubing pressure was 300 psi. The well was swabbed and kicked off flowing to the test tank. Initial flow rate was estimated at 20-25 bbl per hour with a 60 percent oil cut. The well was shut in pending installation of a production facility. After swabbing it began flowing. It flowed on a 30/64th choke but the rate was too high. The well was choked to 26/64th and 20/64. Killam believes the well is flowing at a critical rate and further adjustments to the choke could kill the well. Currently the well produces with a steady flowing tubing pressure of about 200 psi. Gas production is steady at 130-150 MCF per day, and the well produces about 150 bbl of water and oil per day with some variance. Killam will continue to produce the well by flowing until it dies, at which point it will be placed on a pump.

The oil proration schedule indicates the field has an allowable of 82 bbl per day. The reasons for an 82 bbl allowable are not clear. The 1947 yardstick allowable for a 40 acre unit is 102 bbl per day. The examiners note that 82 bbl per day is the 1947 yardstick allowable for a well on 20-acre density at the same depth. On March 4, 2014 the Commission notified Killam that the Speer Lease was overproduced by 1,586 bbl of oil. Killam promptly requested a hearing to obtain an MER allowable for the well.

On March 8, 2005, the other oil well in the field, the Amanda McKinney No. 33 was granted an MER allowable of 430 bbl oil per day (Docket No. 04-0241109).

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. No protests were received.
2. There are currently two oil wells in the field and one gas well.
 - a. Killam is the only operator in the field.
 - b. The Amanda McKinney No. 33 oil well was granted an MER allowable of 430 bbl oil per day in 2005.
3. The Speer No. 25 well was completed on October 16, 2013 and produces from a depth of 5,108 to 5,114 feet.
 - a. The well was perforated on completion but not stimulated.
 - b. On 24-hour initial potential testing the well flowed 209 bbl oil, 167 MCF gas and 197 bbl water.


- c. The gas-oil ratio was 799 cf/bbl
- 4. The well has an average daily oil production rate of about 130 bbl per day and an average gas production of 120 MCF per day.
- 5. The well is overproduced for oil by about 1,586 bbl.
- 6. Killam has operated the well on varying choke sizes and believes the current 20/64ths choke is the most efficient.
- 7. An MER allowable of 150 BOPD is appropriate for the Geo. H. Speer Lease Well No. 25 and will not harm the reservoir.
- 8. Cancelling overproduction 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. An MER allowable of 150 BOPD for the Geo. H. Speer Lease in the Sun (G-1) Field will not cause waste and will not harm correlative rights.
- 4. Cancelling overproduction for the Geo. H. Speer Lease will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend approval of the MER allowable of 150 BOPD for the Geo. H. Speer Lease, Well No. 25, in the Sun (G-1) Field, Starr County, Texas.


Paul Dubois
Technical Examiner

Respectfully submitted,


Michael Crnich
Hearings Examiner