

OIL AND GAS DOCKET NO. 06-0254038

THE APPLICATION OF SMITH RESOURCES, INC. TO CONSIDER INCREASED NET GAS-OIL RATIO AUTHORITY FOR THE LAMBERT NO. 3 IN THE MEREDITH SMITH (TRAVIS PEAK) FIELD, HARRISON COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on December 7, 2007

Appearances:

Lloyd A. Muennick
Edward N. Smith, III

Representing:

Smith Resources, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Smith Resources, Inc. requests authority to produce its Lambert No. 3 under increased net gas-oil ratio authority with a daily gas limit of 750 MCFD. Smith Resources also requests that all overproduction for the well be canceled.

This application was unopposed and the examiner recommends approval of increased net gas-oil ratio authority with a daily gas limit of 750 MCFD and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The Meredith Smith (Travis Peak) Field was discovered in March 2007 at a depth of 6,639 feet. The discovery allowable in the field is 120 BOPD, with a casinghead gas limit of 240 MCFD per well. The Lambert No. 3 is the discovery well for the field and there are no additional oil wells in the field.

The Lambert No. 3 was completed in March 2007 with perforations between 6,639 feet and 6,653 feet. On initial test, the well produced at a rate of 72 BOPD, no gas and no water flowing through a 22/64" choke with 150 psi flowing tubing pressure.

The well's production quickly declined to 10 BOPD. The well was fractured stimulated to increase production. The well's production was restored to 39 BOPD, 750 MCFD and 6 BWPD. Smith Resources hired a third party well testing company, Fesco,

Inc., to test the well at various rates. The testing demonstrates that the well is rate sensitive and produces at higher gas-oil ratios when restricted to rates near the current allowable of 240 MCFD. At a 20/64" choke, the well produced 750 MCFPD, 39 BOPD and 6 BWPD with a GOR of 19,231 cu.ft/bbl. At a 8/64" choke, the well produced 400 MCFPD, 10 BOPD and 0 BWPD with a GOR of 40,000 cu.ft/bbl. At reduced rates, the well begins to load, as evidenced by decreasing oil production. The most stable production occurred at rates of about 750 MCFD, when the average gas-oil ratio was the lowest at approximately 19,231 cubic feet per barrel.

Restricting gas production from the well is not necessary to prevent waste.

The well has accumulated approximately 26,635 MCF of casinghead gas overproduction as of December 31, 2007. Smith Resources requests that this 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 top allowable in the Meredith Smith (Travis Peak) Field is 120 BOPD and 240 MCFD. There are no other producing oil wells in the field.
3. The Lambert No. 3 was completed in March 2007 and produced at a rate of 72 BOPD, no gas and no water flowing through a 22/64" choke with 150 psi flowing tubing pressure.
4. The Lambert No. 3 is rate sensitive and produces at higher gas-oil ratios when restricted to rates near the current allowable of 240 MCFD.
5. The most stable production occurred at rates of about 750 MCFD, when the average gas-oil ratio was the lowest at 19,231 cubic feet per barrel.
6. Restricting gas production from the well is not necessary to prevent waste.
7. The well has accumulated approximately 26,635 MCF of casinghead gas overproduction.

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 increased net gas-oil ratio authority with a casinghead gas limit of 750 MCFD for the Lambert No. 3 in the Meredith Smith (Travis Peak) Field and cancellation of overproduction will prevent waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Lambert No. 3 in the Meredith Smith (Travis Peak) Field be authorized to produce under net gas-oil ratio authority with a daily gas limit of 750 MCFD and that all accumulated overproduction for this lease be canceled.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner