



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 04-0300098

**THE APPLICATION OF SMITH PRODUCTION, INC. TO CONSIDER A
MAXIMUM EFFICIENT RATE (MER) ALLOWABLE AND CANCEL
OVERPRODUCTION FOR THE DROUGHT 156 LEASE IN THE CHARAMOUSCA
(CASA BLANCA SD) FIELD, DUVAL COUNTY, TEXAS**

HEARD BY: Paul Dubois – Technical Examiner
Ryan Lammert – Administrative Law Judge

HEARING DATE: June 3, 2016

CONFERENCE DATE: September 27, 2016

APPEARANCES:

APPLICANT

Dale Miller
Charles Bucek

Smith Production, Inc.

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Smith Production, Inc. ("Smith") seeks a maximum efficient rate (MER) allowable of 100 barrels of oil per day (bopd) for its Drought 156 Lease in the Charamousca (Casa Blanca SD) Field, Duval County, Texas. Smith also requests that accumulated overproduction on the lease be cancelled. The application was not protested. The Administrative Law Judge and Technical Examiner (collectively, "Examiners") recommend Smith's application be granted.

DISCUSSION OF THE EVIDENCE

The Charamousca (Casa Blanca SD) Field was discovered on October 8, 2013. There are two wells in the field, both operated by Smith. Those wells are the Drought 156 Lease Well Nos. 1 (API No. 42-131-39421) and 2 (API No. 42-131-39422). Both wells produce from a depth interval of about 1,088 feet to 1,122 feet. Both wells are currently being pumped, and the static fluid level is about 600 feet. Well No. 2 was originally assigned to the Charamousca South Field, but the assignment was transferred to the Charamousca (Casa Blanca SD) Field on August 26, 2014.

Well No. 1 presented an initial potential test of 90 bopd and Well No. 2 tested at 150 bopd. On initial potential testing neither well produced any water or gas. In May 2016, Well No. 1 produced 14 bopd and 30 barrels of water per day (bwpd), and Well No. 2 produced 52 bopd and 7 bwpd. Currently, neither well produces gas.

The Charamousca (Casa Blanca SD) Field was initially assigned a discovery allowable of 100 bopd, as prescribed by Statewide Rule 42 (16 Tex. Admin. Code §3.42). Currently the top allowable for the field is 39 bopd, which is based on the 1965 yardstick for 20-acre density, as prescribed by Statewide Rule 45. Smith claimed that it requested the discovery allowable to remain in effect when the special field rules were adopted (Oil & Gas Docket No. 04-0294345, signed on May 12, 2015.) Although the Final Order in that docket did not reflect an allowable other than that provided by the 1965 yardstick, it did cancel the oil overproduction that had accrued through the date of the Final Order.

Well No. 2 has consistently produced in excess of its daily allowable, while Well No. 1 has underproduced. The July 2016 Oil Well Status Report (Form W-10) establishes a potential of 14 bopd for Well No. 1 and 52 bopd for Well No. 2. Smith argues that the capability of Well No. 2 has resulted in continued, but nominal overproduction of the lease, which total 7,911 barrels of oil through April 2016. Therefore, Smith requests that a 100 bopd MER allowable be established for the lease and overproduction be cancelled.

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 the hearing.
2. The Charamousca (Casa Blanca SD) Field was discovered on October 8, 2013, at a depth of 1,088 to 1,122 feet.
3. There are two wells completed in the field, both of which are operated by Smith Production, Inc., the Drought 156 Lease Well Nos. 1 (API No. 42-131-39421) and 2 (API No. 42-131-39422).
4. Well No. 1 presented an initial potential test of 90 bopd and Well No. 2 tested at 150 bopd. On initial potential testing neither well produced any water or gas.
5. The July 2016 Oil Well Status Report (Form W-10) establishes a potential of 14 bopd for Well No. 1 and 52 bopd for Well No. 2.
6. The July 2016 Oil Well Status Report (Form W-10) establishes a potential of 30 bwpd for Well No. 1 and 7 bwpd for Well No. 2.
7. The top oil allowable in the Charamousca (Casa Blanca SD) Field is 39 bopd.

8. The two wells have accumulated an over-production of 7,911 barrels of oil from May 2015 through April 2016.
9. There is no evidence to suggest that a 100 bopd allowable will cause waste or harm correlative rights.

CONCLUSIONS OF LAW

1. Resolution of the subject application is a matter committed to the jurisdiction of the Railroad Commission of Texas. Tex. Nat. Res. Code § 81.051
2. All notice requirements have been satisfied. 16 Tex. Admin. Code §§ 1.43 and 1.45
3. Establishing a 100 bopd MER for the Drought 165 Lease (No. 13838) will not cause waste and will protect correlative rights.

EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend the Commission enter an order granting the application of Smith Production, Inc., for an MER allowable of 100 bopd for its Drought 156 Lease in the Charamousca (Casa Blanca SD) Field, Duval County, Texas. The Examiners further recommend that accrued overproduction on the lease be cancelled.

Respectfully submitted,

Paul Dubois
Technical Examiner

Ryan Lammert
Administrative Law Judge