

April 8, 2002

OIL AND GAS DOCKET NO. 7B-0230715

THE APPLICATION OF SHARP IMAGE ENERGY INC. FOR INCREASED GAS/OIL RATIO AUTHORITY FOR ITS BROWN-MERRICK 216 LEASE WELL NO. 1, THROCKMORTON COUNTY REGULAR FIELD, THROCKMORTON COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: February 15, 2002

Hearing held: April 8, 2002

Appearances

Mike Blissard

Representing

Sharp Image Energy

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Sharp Image is seeking increased gas/oil ratio authority for its Brown-Merrick 216 Lease Well No. 1 to allow this well to produce up to 100 MCF per day. The applicant is also asking to have this well's overproduction canceled.

DISCUSSION OF THE EVIDENCE

The Brown-Merrick Well No. 216 was drilled in 1999, and is the only well in the Throckmorton County Regular Field that is operated by Sharp Image. The well was perforated between 4703 and 4712 feet, and its initial potential was 18 BOPD. The well produced a total of 590 BO during its first four months on production, but by March of 2000, oil production essentially ceased. In July, 2000, the well was put on pump and monthly production increased to about 300 BO and 3000 MCF for a few months.

Production has since declined to 30-40 BO per month. For the past year, monthly gas production has been less than 2800 MCF, but during February, 2002, it increased to 3350 MCF.

The field is under Throckmorton County Regular rules where the daily allowable for wells at this depth is 35 barrels of oil and 70 MCF. Cumulative production for the subject well is 2155 BO and the applicant believes oil production has stabilized. The well has overproduced its monthly gas allowable of 2170 MCF since it was put on pump, and there is now 10.5 MMCF of overproduction.

It is not possible to reduce the gas rate or even conduct a step-rate test of this pumping well. The operator testified that after it shuts the pump down to make up overproduction, the well does not return to the same production level. The operator believes that shutting-in the well frequently to make up overproduction will cause the well to have to be abandoned. Approval of this application will permit Sharp Image to produce the subject well to depletion.

The applicant testified that there is only one offset operator and that it received notice of this application. There are no other wells completed in the same sandstone, and no correlative rights to be damaged if the overproduction of this well is canceled.

FINDINGS OF FACT

1. Notice of this hearing was given to all offset operators on March 15, 2002.
2. The subject well, the Brown-Merrick 216 No. 1, was drilled in 1999, and perforated between 4703 and 4712 feet.
3. The well's initial potential was 18 BOPD, and it produced 590 BO during its first four months.
4. In August of 2000, the well was put on pump and began to produce about 300 BO and 3000 MCF every month.
5. Over the past year, monthly oil production has declined to 30-40 BO, and gas production has been less than 2800 MCF.
6. The Throckmorton County Regular allowable for wells at this depth is 35 BOPD with 70 MCF of gas per day, but the subject well is penalized to 5 BOPD due to its high gas/oil ratio.
7. Cumulative production for the Brown-Merrick 216 Well No. 1, the only well in this sandstone, is 2155 BO, and the well has gas overproduction of 10.5 MMCF.
8. The well is being pumped and requiring it to stay within its gas allowable of 70 MCF per day will cause inefficient production and may damage the well.
9. As this is the only well in this reservoir, requiring the well to make up overproduction is not necessary to protect correlative rights.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The requested increase in gas allowable for the Brown-Merrick 216 Lease Well No. 1 will prevent waste and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Sharp Image Energy Inc. Brown-Merrick 216 Lease Well No. 1, in the Throckmorton County Regular Field, be allowed to produce up to 100 MCF of gas. All overproduction for this well should be canceled.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: April 22, 2002