



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 08-0275211

THE APPLICATION OF CHAPARRAL ENERGY, LLC TO CONSIDER AN MER ALLOWABLE FOR ALL WELLS ON THE DALTEX STATE 2 LEASE IN THE TUNSTILL (CHERRY CANYON-F-) FIELD, LOVING COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on May 25, 2012

Appearances:

John Soule

Representing:

Chaparral Energy, LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Chaparral Energy LLC requests that an MER allowable of 125 BOPD be established for all wells completed on the Daltex State 2 Lease (40031) in the Tunstill (Cherry Canyon -F-) Field. Chaparral also requests that all accumulated overproduction be cancelled for the lease.

The application is unopposed and the examiner recommends approval of the requested MER and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The Tunstill (Cherry Canyon -F-) Field was discovered in 2003 and has a top allowable of 93 BOPD. There are 33 producing oil wells in the field and no other operators. The field is governed by Special rules. The Daltex State 2 Lease has 8 oil wells of which the Nos. 3, 5, 6 and No. 7 have produced at rates above the 93 BOPD allowable.

The Daltex State 2 No. 3 was completed in April 2010 into the Cherry Canyon -F- formation at a depth of 4,884 feet. On initial test in June 2010, the well produced at a rate of 40 BOPD, 56 MCFD and 150 BWPD with a GOR of 1,400 from perforations between 4,884 and 4,892 feet. The well was put on production as a pumping well. The well's pumping rate increased to over 138 BOPD in January 2011. Over time, the oil production decreased and stabilized at a rate of 42 BOPD in April 2012.

The Daltex State 2 No. 5 was completed in May 2010 at a depth of 4,889 feet. On initial test in June 2010, the well produced at a rate of 52 BOPD, 45 MCFD and 0 BWPD with a GOR of 865 from perforations between 4,889 and 4,902 feet. The well was put on production as a flowing well. The well's flowing rate increased to over 186 BOPD in December 2011. Over time, the oil production decreased and stabilized at a rate of 100 BOPD in April 2012.

The Daltex State 2 No. 6 was completed in August 2010 at a depth of 4,872 feet. On initial test in October 2010, the well produced at a rate of 252 BOPD, 284 MCFD and 92 BWPD with a GOR of 1,126 from perforations between 4,872 and 4,884 feet. The well was put on production as a flowing well. The well's flowing rate decreased to 218 BOPD in January 2011. Over time, the oil production decreased and stabilized at a rate of 20 BOPD in April 2012.

The Daltex State 2 No. 7 was completed in July 2010 at a depth of 4,885 feet. On initial test in August 2010, the well produced at a rate of 50 BOPD, 0 MCFD and 0 BWPD with a GOR of 0 from perforations between 4,885 and 4,896 feet. The well was put on production as a pumping well. The well's pumping rate increased to over 146 BOPD in December 2011. Over time, the oil production decreased and stabilized at a rate of 64 BOPD in April 2012.

All wells are currently producing below the 93 BOPD allowable except for the No. 5. Production data shows the wells can produce at rates above the top allowable of 93 BOPD and maintain a constant GOR. The producing gas-oil ratios are low between 1,500 to 2,200 scf/bbl per well. Chaparral energy has no explanation why wells on the Daltex 2 lease produce at rates higher than average in the field. The Cherry Canyon -F- sands are channel sands and are believed to have higher than average permeability under the lease. Chaparral Energy plans to drill additional wells in the lease and anticipates future wells may produce at the same higher than normal rates. Chaparral Energy believes that producing the well at capacity (up to 125 BOPD) will not harm the reservoir.

The lease is overproduced by an estimated 93,580 BO as of March 31, 2012. Chaparral Energy requests that this overage 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 hearing.
2. The Tunstill (Cherry Canyon -F-) Field was discovered in 2003 and has a top allowable of 93 BOPD.
3. The Daltex State 2 Lease Nos. 3, 5, 6 and No. 7 were completed between April 2010 and August 2010 in the Tunstill (Cherry Canyon -F-) Field and have produced at a rates up to 145 to 357 BOPD, on initial completion.

4. The Daltex State 2 Lease has 8 wells on the lease of which 4 wells have produced at rates above the 93 BOPD allowable.
 - a. The Daltex State 2 No. 3 produced at a rate over 138 BOPD in January 2011.
 - b. The Daltex State 2 No. 5 produced at a rate over 186 BOPD in December 2011. Over time, the oil production decreased and stabilized at a rate of 100 BOPD in April 2012.
 - c. The Daltex State 2 No. 6 produced at a rate of 218 BOPD in January 2011.
 - d. The Daltex State 2 No. 7 produced at a rate of 146 BOPD in December 2011.
 - e. The producing gas-oil ratio is low, 2,200-1,500 cubic feet per barrel, and remained nearly constant to a slight decline at lower producing rates.
5. The lease is overproduced approximately 93,580 BO as of March 31, 2012. Cancellation of this overage 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. Approval of an MER of 125 BOPD for all wells completed on the Daltex State 2 Lease (40031) and cancellation of overproduction for the lease in the Tunstill (Cherry Canyon -F-) Field will not cause waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of an MER of 125 BOPD for all wells completed on the Daltex State 2 Lease (40031) and cancellation of overproduction for the lease in the Tunstill (Cherry Canyon -F-) Field in Loving County, Texas.

Respectfully submitted,



Andres J. Trevino, P.E.
Technical Examiner