



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 08-0286065

THE APPLICATION OF SHERIDAN PRODUCTION COMPANY LLC TO CONSIDER AN
MER ALLOWABLE FOR THE CAPRITO (DELAWARE MIDDLE) FIELD, WARD
COUNTY, TEXAS

HEARD BY: Paul Dubois – Technical Examiner
Laura Miles-Valdez – Legal Examiner

DATE OF HEARING: January 9, 2014

APPEARANCES: REPRESENTING:

APPLICANT:

Jim Clark
Chris Spencer

Sheridan Production Company LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the application of Sheridan Production Company, LLC (Sheridan) to consider a most efficient rate (MER) allowable for the Caprito (Delaware Middle) Field, in Ward County, Texas. Sheridan requests authority to produce 300 BOPD and to maintain the existing daily gas limit of 1,500 MCFGPD. The request was not protested. The examiners recommend approval of the 300 BOPD MER allowable.

DISCUSSION OF EVIDENCE

The Caprito (Delaware Middle) Field in Ward County, Texas, was discovered in 1974 at a depth of 6,164 feet. The 1965 yardstick oil allowable is 111 BOPD. A daily gas limit of 1,500 MCFD per well was established on October 6, 1985. The current proration schedule lists 58 producing wells in the Caprito (Delaware Middle) Field, and Sheridan reports a total of 148 wells have been drilled since 1974. It is not clear how many wells have been drilled and completed but are not yet on the proration schedule due to

Commission backlog. Sheridan acquired its acreage in the field from Sandridge in January 2013.

The Caprito (Delaware Middle) Field has a water-drive production mechanism with a large water cut of about 90 percent. Sheridan's 31 producing wells presented initial potential oil tests from zero (0) to 534 BOPD with an average of 149 BOPD. Sheridan estimates the average per well ultimate recovery of oil to be about 156,000 BO. The wells acquired by Sheridan in January 2013 were initially completed on rod pumps but were later placed on electric submersible pumps to improve fluid removal due to the high water cut.

Sheridan operates six wells in the field that have in the past had the potential to produce more than the 111 BOPD yardstick allowable. Sheridan presented production data from four of these wells, the University 17-17 No. 1, University 17-18 No. 1, University 17-24 No. 2, and University 14-24 No. 3, which were completed in 2010 through 2012. These wells were placed on electric submersible pumps in July and August of 2012. For each well, Sheridan presented two graphs. The first graph illustrated daily oil, gas and water production and the corresponding gas-to-oil and water-to-oil ratios with respect to time from the date of placement on submersible pumps in the summer of 2012 until August 2013. The second graph for each well depicted the gas-to-oil ratio and water-to-oil ratio with respect to daily oil production for the same time period.

The data indicated that these wells produced at normal decline rates. No evidence of gas or water coning was observed. Specifically, in these Caprito (Delaware Middle) Field wells the water-oil ratios were typically lower at the higher production rates, and higher water-oil ratios were seen at lower production rates. The opposite would be expected if water coning were occurring. Similar patterns, behaviors, and expectations were observed for gas-oil ratio trends. The data for all of these wells suggests that the wells operate more efficiently at higher production rates, specifically production rates in excess of the 111 BOPD yardstick allowable. In fact, for the period data presented, most all of the production was in excess of the yardstick allowable, and often approached 300 BOPD, especially in the first months after being placed on a submersible pump. Sheridan has demonstrated an MER of 300 BOPD for wells in the field to be appropriate, without water or gas coning that could indicate reservoir damage. While these wells will no longer be able to produce at rates approaching 300 BOPD, Sheridan expects that its continued development of the field will result in wells that, early in their productive lives, will produce at rates up to 300 BOPD.

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. The Caprito (Delaware Middle) Field in Ward County, Texas, was discovered in 1974 at a depth of 6,164 feet.
3. The 1965 yardstick oil allowable is 111 BOPD, and a daily gas limit of 1,500 MCFD per well was established on October 6, 1985.
4. Sheridan acquired its acreage in the field in January 2013.
5. Wells in the field were initially placed on rod pumps, but were switched to electric submersible pumps to remove fluids more efficiently due to high water cut in the reservoir.
6. Sheridan presented production data from four wells in the field that demonstrated efficient production at rates in excess of the yardstick allowable.
7. A field-wide MER allowable of 300 BOPD is appropriate for wells completed in the field and will not harm the reservoir.

CONCLUSIONS OF LAW

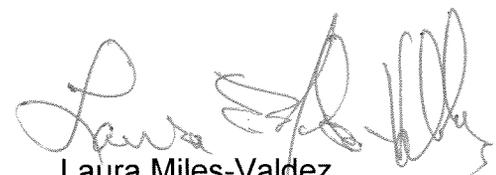
1. Notice of this hearing was given as specified in the provisions of all regulatory codes.
2. All things have occurred or been accomplished to give the Commission jurisdiction in this matter.
3. An MER allowable of 300 BOPD, with a continued daily gas limit of 1,500 MCFD, for wells in the Caprito (Delaware Middle) Field will not cause waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiners recommend approval of the MER allowable of 300 BOPD and a net daily gas limit of 1,500 MCFD for all wells in the Caprito (Delaware Middle) Field.

Respectfully submitted,


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Laura Miles-Valdez
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