



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

July 13, 2006

OIL AND GAS DOCKET NO. 7C-0247059

APPLICATION OF FORTUNE PRODUCTION CO. TO CONSIDER AN INCREASED NET GOR AUTHORITY FOR THE SUGG-FARMAR "A" LEASE WELL NO. 1, LUCKY-MAG (DIVIDE SAND) FIELD, IRION COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: July 13, 2006

APPEARANCES:

Dale E. Miller

REPRESENTING:

Fortune Production Co.

EXAMINER'S REPORT AND RECOMMENDATION STATEMENT OF THE CASE

This is the unopposed application of Fortune Production for a net gas-oil ratio (GOR) which increases the permitted gas limit to 300 MCFD for the Sugg-Farmer "A" Lease Well No. 1. Fortune also requests that all overproduction be canceled for its Sugg-Farmer "A" Lease (RRC Lease No. 15890). The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Lucky-Mag (Divide Sand) Field was discovered in 1956 at 6,472' subsurface depth. The field operates pursuant to Statewide Rules. The top allowable for a well completed at this depth is 111 BOPD and a casinghead gas limit of 222 MCF per day. Fortune is the only operator in the field with three wells.

The Fortune Production, Sugg-Farmer "A" Lease Well No. 1 was completed February 20, 2006 through perforations from 6,521' to 6,671' subsurface depth. The well potentialized at 42 BOPD, 279 MCFD and 15 BWPD. The GOR was 6691:1 flowing on a 13/64ths choke. The oil gravity is 38.3° API. The initial flowing tubing pressure was 410 psig (casing pressure at 620 psig).

A net GOR resulting in a gas limit of 300 MCFD is appropriate. The testing shows that the well is rate sensitive to wellbore fluid loading. As the production rate was decreased, the water-oil ratio continued to decrease and the gas-oil ratio increased when the 222 MCFD gas limited was attempted. The flowing tubing pressure decreased with each reduction in the production rate which is definitive of wellbore fluid loading.

The well was tested over a 30 day period with the following results:

CHOKE (64ths)	OIL (BOPD)	GAS (MCFD)	GOR	FTP (PSI)	WOR (%)
20	18	350	19538	150	28
18	13	260	19609	140	21
17	12	231	18538	137	14
16	8	185	22012	122	9

Cancellation of the over production will not harm correlative rights.

FINDINGS OF FACT

1. Notice of this application was given to all person entitled to notice at least ten (10) days prior to the hearing.
2. There was no protest of the application.
3. The Lucky-Mag (Divide Sand) Field was discovered in 1956 at 6,472' subsurface depth.
 - a. The field operates pursuant to Statewide Rules.
 - b. The top allowable for a well completed at this depth is 111 BOPD and a casinghead gas limit of 222 MCF per day.
 - c. Fortune is the only operator in the field with three wells.
4. The Fortune Production, Sugg-Farmer "A" Lease Well No. 1 was completed February 20, 2006 through perforations from 6,521' to 6,671' subsurface depth.
5. A net GOR resulting in a gas limit of 300 MCFD is appropriate as the testing shows that the well is rate sensitive.
 - a. The flowing tubing pressure decreased with each reduction in the production rate which is definitive of wellbore fluid loading.
 - b. As the production rate was decreased, the water-oil ratio continued to decrease and the gas-oil ratio increased.
6. Cancellation of the over production of the Sugg-Farmer "A" Lease (RRC Lease No. 15890) will not harm correlative rights.

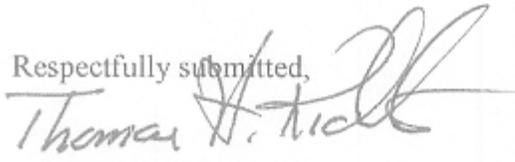
CONCLUSIONS OF LAW

1. Notice of this hearing was provided in accordance with all applicable regulatory statutes and rules.
2. All things have occurred or been accomplished to afford the Commission the jurisdiction to consider and decide this matter.
3. Consideration and approval of this application for a gas-oil ratio which results in a casinghead gas limit of 300 MCFD is a matter properly within the jurisdiction of the Commission to foster conservation and prevent waste.
4. Approval of the proposed application of Fortune Production for a net gas-oil ratio which increases the permitted GOR to a gas limit of 300 MCFD will foster conservation and prevent waste.
5. Cancellation of overproduction will not harm correlative rights.

EXAMINER'S RECOMMENDATION

It is recommended that the application of Fortune Production for a net gas-oil ratio which increases the permitted GOR to a gas limit of 300 MCFD for the Sugg-Farmer "A" Lease Well No. 1 be approved. It is further recommended that all overproduction for the Sugg-Farmer "A" Lease (RRC Lease No. 15890) be canceled.

Respectfully submitted,



Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel