



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL AND GAS DOCKET NO. 05-0297182

THE APPLICATION OF DALLAS PRODUCTION, INC. FOR AN INCREASED NET GAS-OIL RATIO DETERMINATION AND CANCELLATION OF OVERPRODUCTION FOR THE WEED LEASE, WELL NO. 1, NESBETT (RODESSA) FIELD, NAVARRO COUNTY, TEXAS

HEARD BY: Peggy Laird, P.G. - Technical Examiner
Terry Johnson - Legal Examiner

SUBMITTED BY: Peggy Laird, P.G. - Technical Examiner
Marshall Enquist - Administrative Law Judge

HEARING DATE: September 11, 2015

CONFERENCE DATE: November 17, 2015

APPEARANCES: Andy Trevino
REPRESENTING: Dallas Production, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Dallas Production, Inc. ("Dallas") requests authority to produce its Weed Lease, Well No. 1 under increased net gas-to-oil ratio ("GOR") authority with a daily gas limit of 275 thousand cubic feet of gas per day ("MCFD"). Dallas also requests that all overproduction for the Weed Lease, Well No.1 be cancelled. The application was unopposed and the Examiners recommend approval of increased net gas-oil ratio authority with a daily gas limit of 275 MCFD and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The Weed Lease, Well No.1 was completed on June 10, 2012, and is the only well in the lease. It is located in the Nesbett (Rodessa) Field. The initial test was conducted on October 23, 2012, and the well flowed 55 barrels of oil ("BO"), 320 MCFD of gas, and no water. The GOR was 5,818 standard cubic feet of gas for each barrel of oil ("SCF/B"), or 5818:1. The top oil allowable in the field is 111 BO per day and the current GOR is 2000:1.

Dallas testified that production history for the well indicates declining oil production, steady gas production, and that the GOR increased over time from 4,000 SCF/B to about 10,000 SCF/B. Dallas reported the well has been accumulating overproduction since March, 2013, and has overproduced 29, 827 MCF of casinghead gas as of May, 2015.

From July 27, 2015, to August 10, 2015, Dallas performed step-rate tests using increasing choke sizes from 6/64ths to 10/64ths. Results of the tests are shown in the following table as averages for each choke size.

Choke Size	Oil Rate (BOPD)	Gas Rate (MCFD)	GOR (SCF/B)	Flowing Tube Pressure (FTP) (PSI)
6/64"	11.4	195.8	17170	657
8/64"	22	266	12090	554
10/64"	28	346.4	12370	558

Dallas testified that at a choke size of 6/64ths and higher FTP, the current gas allowable of 222 MCFD is met, but reservoir energy is reduced and gas bypasses the oil, leaving oil that is not recovered. As choke size increases, oil and gas production increases, and the GOR decreases. Based on the results of the step-rate tests, Dallas concluded the reservoir is rate sensitive. Dallas proposed that operating the well with an increased GOR will allow for more efficient oil production while maintaining well integrity. Dallas requests a daily limit of 275 MCFD.

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 subject lease was completed on June 10, 2012, and was placed in the Nesbett (Rodessa) Field.
3. Results of initial tests for the subject lease were 55 BO, 320 MCF of gas, and no water; the GOR was 5,818:1.
4. The reservoir is rate sensitive and produces at higher gas-oil ratios when restricted to rates near the current allowable of 222 MCFD.
5. Production rates of 275 MCFD provides for greater oil recovery, maintaining well integrity, and prevention of waste.

6. Shutting in the well or otherwise restricting production might damage the well or reservoir, causing waste.

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 § 1.45
3. Approval of increased net gas-oil ratio authority with a casinghead gas limit 275 MCFD for the Weed Lease, Well No.1 located in the Nesbett (Rodessa) Field and cancellation of overproduction will prevent waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the Examiners recommend that the Weed Lease, Well No.1 located in the Nesbett (Rodessa) Field be authorized to produce under net gas-oil ratio authority with a daily gas limit of 275 MCFD, and that all accumulated overproduction for this lease be cancelled.

Respectfully submitted,



Peggy Laird, P.G.
Technical Examiner



Marshall Enquist
Administrative Law Judge