

OIL AND GAS DOCKET NO. 09-0266124

THE APPLICATION OF CHOLLA PETROLEUM, INC. TO CONSIDER INCREASED NET GAS-OIL RATIO AUTHORITY FOR THE LOONEY LEASE, WELL NO. 1, IN THE BOONSVILLE (BEND CONGL., GAS) FIELD, WISE COUNTY, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: July 7, 2010

APPEARANCES:

REPRESENTING:

APPLICANT:

Greg Cloud

Cholla Petroleum, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Cholla Petroleum, Inc. ("Cholla") requests authority to produce its Looney Lease, Well No. 1, under increased net gas-oil ratio authority with a daily gas limit of 250 MCFGPD. Cholla also requests that all overproduction for the well be canceled.

This application was unopposed and the examiner recommends approval of the increased net gas-oil ratio authority with a daily gas limit of 250 MCFGPD and cancellation of the well overproduction.

DISCUSSION OF EVIDENCE

The Boonsville (Bend Congl., Gas) Field was discovered in May 1945 at a depth of 4,300 feet. The field is classified as associated-100% AOF and there are 1,652 producing gas wells and 8 producing oil wells carried on the proration schedules. The gas field operates under 467'-1,200' well spacing and 320 acre gas units with optional 80 acre density. The oil field operates under County Regular Rules and the top allowable is 82 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel and a daily gas limit of 164 MCF.

The Looney Lease, Well No. 1, was completed in the Bend Conglomerate in July 2009 with perforations from 4,070 feet to 4,090 feet. On initial test, the well produced flowing at a rate of 10 BOPD, 80 MCFGPD and 10 BWPD. The initial GOR was 8,000 cubic feet per barrel.

Although the field is primarily a gas field, there are isolated pockets of oil production. The Looney Lease, Well No. 1, is offset to the northwest and southeast by producing gas wells. The primary drive mechanism for the reservoir is a depletion drive, which results in decreasing oil production, increasing gas production and higher well GORs.

In order to determine rate sensitivity, Cholla tested the Looney Lease, Well No. 1, during June 2010. The results of the testing are summarized as follows:

| Choke Size (in) | Oil Rate (bopd) | Gas Rate (mcfpd) | Water Rate (bwpd) | FTP (psi) | GOR (cuft/bbl) |
|-----------------|-----------------|------------------|-------------------|-----------|----------------|
| 11/64 | 16 | 245 | 1 | 145 | 15,312 |

Cholla could not vary the producing rate as smaller choke sizes cause the well to load up and cease flowing. Likewise, larger choke sizes bleed the pressure down and also cause the well to cease flowing. Cholla believes that oil will be left behind in the formation if the gas production is curtailed. In order to maximize production and prevent waste, Cholla requests an increased net gas-oil ratio authority with a casinghead gas limit of 250 MCFGPD be approved. This will also allow for the depletion of the reservoir without any reservoir damage, prevent oil from being left behind in the formation if the gas production is curtailed and increase the ultimate recovery from the well.

As of June 1, 2010, the well is overproduced 3,163 BO and 23,344 MCFG. Cholla 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 Boonsville (Bend Congl., Gas) Field was discovered in May 1945 at a depth of 4,300 feet.
 - a. The field is classified as associated-100% AOF and there are 1,652 producing gas wells and 8 producing oil wells carried on the proration schedules.
 - b. The gas field operates under 467'-1,200' well spacing and 320 acre gas units with optional 80 acre density.
 - c. The oil field operates under County Regular Rules and the top allowable is 82 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel and a daily gas limit of 164 MCF.
3. The Looney Lease, Well No. 1, was completed in the Bend Conglomerate in

July 2009 with perforations from 4,070 feet to 4,090 feet. On initial test, the well produced flowing at a rate of 10 BOPD, 80 MCFGPD and 10 BWPD. The initial GOR was 8,000 cubic feet per barrel.

4. Although the Boonsville (Bend Congl., Gas) Field is primarily a gas field, there are isolated pockets of oil production.
 - a. The Looney Lease, Well No. 1, is offset to the northwest and southeast by producing gas wells.
 - b. The primary drive mechanism for the reservoir is a depletion drive, which results in decreasing oil production, increasing gas production and higher well GORs.
 - c. On an 11/64 inch choke, the well produced flowing at a rate of 16 BOPD, 245 MCFGPD and 1 BWPD. The GOR was 15,312 cubic feet per barrel.
 - d. Cholla could not vary the producing rate as smaller choke sizes cause the well to load up and cease flowing. Likewise, larger choke sizes bleed the pressure down and also cause the well to cease flowing.
 - e. Oil will be left behind in the formation if the gas production is curtailed.
5. Producing the well at rates of up to 250 MCFGPD will not cause waste.
6. As of June 1, 2010, the well is overproduced 3,163 BO and 23,344 MCFG.

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 the increased net gas-oil ratio authority with a casinghead gas limit of 250 MCFGPD for the Looney Lease, Well No. 1, in the Boonsville (Bend Congl., Gas) Field and cancellation of the well overproduction will not cause waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Looney Lease, Well No. 1, in the Boonsville (Bend Congl., Gas) Field be authorized to produce under net gas-oil ratio authority with a daily gas limit of 250 MCFGPD and that all accumulated overproduction for the well be canceled.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner