

**OIL AND GAS DOCKET NO. 7C-0254359**

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**THE APPLICATION OF TERRACE PETROLEUM CORPORATION TO ESTABLISH AN MER FOR THE TXL“19” LEASE, WELL NOS. 1 & 2 IN THE SPRABERRY (TREND AREA) FIELD, UPTON COUNTY, TEXAS**

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**Heard by:** Andres J. Trevino, P.E. on January 4, 2008

**Appearances:**

Dale E. Miller

**Representing:**

Terrace Petroleum Corporation

**EXAMINER’S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Terrace Petroleum Corporation had originally applied for an MER for its TXL “19” Nos. 1 & 2 in the Spraberry (Trend Area) Field. Since the time the application was filed, production from both wells declined below the top allowable in the field. Terrace is no longer seeking an MER for the wells but does requests that all overproduction on its TXL “19” lease in the Spraberry (Trend Area) Field be cancelled. The application is unopposed and the examiner recommends approval of cancellation of overproduction for the lease.

**DISCUSSION OF EVIDENCE**

The Spraberry (Trend Area) Field was discovered in 1952 with production in these wells are from a debris flow area within the Spraberry. Wells completed in the debris flow area can be prolific with production rates of up to 700 BOPD.

Under the density and allocation rules for the Spraberry (Trend Area) Field, the top allowable for the TXL “19” Nos. 1 & 2 would be 121 BOPD each, based on an assignment of 80 acres to each well. The TXL “19” No. 1 was completed in April 2007 with an initial potential of 188 BOPD, 204 MCFD and 172 BWPD. The TXL “19” No. 2 was completed in August 2007 with an initial potential of 219 BOPD, 292 MCFD and 113 BWPD. Production increased steadily on both wells to a peak of 492 BOPD and 367 BOPD respectively. These wells then declined rapidly below the 121 BOPD allowable to the current rate of 60 BOPD each. Terrace is no longer seeking a MER allowable, but is requesting cancellation of lease overproduction. Cumulative overproduction for the lease is estimated about 1,000 BO as of December 31, 2007.

**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 top allowable in the Spraberry (Trend Area) Field is 121 BOPD for 80 acre units.
3. The TXL "19" Nos. 1 & 2 are completed in a debris flow area of the field which tends to have more prolific production than other Spraberry (Trend Area) wells.
4. Terrace Petroleum completed its TXL "19" No. 1 in April 2007 with an initial potential of 188 BOPD, The TXL "19" No. 2 was completed in August 2007 with an initial potential of 219 BOPD. Production peaked at a rate of 492 BOPD for Well No. 1 and 367 BOPD for Well No. 2.
5. Production decline rapidly below the 121 BOPD allowable to the current rate of 60 BOPD each. Terrace Petroleum withdrew its request for a MER allowable increase.
6. The subject lease is overproduced approximately 1,000 BO as of December 31, 2007.

**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. Cancellation of overproduction for the TXL "19" Lease in the Spraberry (Trend Area) Field will not cause waste and will not harm correlative rights.

**RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends cancellation of overproduction for the TXL "19" Lease in the Spraberry (Trend Area) Field.

Respectfully submitted,

Andres J. Trevino, P.E.  
Technical Examiner