

OIL AND GAS DOCKET NO. 8A-0232750

THE APPLICATION OF FINLEY RESOURCES, INC., FOR MER ALLOWABLES FOR WELLS IN THE TEX-SIN (DEVONIAN) FIELD, GAINES COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: October 11, 2002

Hearing held: December 4, 2002

Appearances

Dale E. Miller

James L. Nance

Representing

Finley Resources Inc.

EXAMINER'S REPORT AND PROPOSAL FOR DECISION

STATEMENT OF THE CASE

Finley Resources ("Finley") wants to produce wells in the Tex-Sin (Devonian) Field, Gaines County, Texas, under an MER allowable of 800 BOPD. Finley also requests that the overproduction for its Chilton "B" Lease Well No. 1 be canceled. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Tex-Sin (Devonian) Field was discovered in 1962 and Finley is the operator of the 10 active wells in the field. The field rules specify 80 acre proration units with a top allowable of 390 BOPD, based on the 1947 yardstick. The field has a strong water drive and all of the original remaining wells produce with a water cut over 98%.

Finley completed its Chilton "B" Lease Well No. 1, the newest well in the field, on July 24, 2001. The initial potential of this well was 359 BOPD with no gas or water through perforations between 12,260 and 12,273. Cumulative production is 160,352 BO and 44 MMCF of gas. The well began producing water in January of 2002 and the water cut has increased to about 50%.

The oil production began declining in May of 2002. This decline was reversed by the installation of a progressive cavity pump (also known as a Moyno pump) in September. This pump removes large quantities of fluid though the wellbore still maintains a relatively high fluid level. Oil overproduction began accruing in October and is estimated at 7800 barrels through November 25, 2002.

The daily production of the Chilton "B" Lease Well No. 1 was reported from September 19 through November 25, 2002. The highest daily rate was 781 BOPD while the average oil production was about 600 BOPD. The water cut was 40 to 50%, for a water production rate of about 550 BOPD. When the pumping rate was reduced, the well produced only about 100 BOPD. The water cut was reduced though not significantly. Because the reservoir has a strong waterdrive, the water cut can be

expected to increase whether the well is pumped or not.

Two of the other wells in the field also maintain high fluid levels, and the applicant believes they are candidates for downhole pumps. Submersible pumps may not reduce the water cut but will be able to improve the economic limit of these wells. Seismic indicates small anomalies nearby and the applicant is considering drilling additional wells to the Devonian.

FINDINGS OF FACT

1. Notice of this hearing was issued to Finley Resources Inc. (“Finley”) the only operator of record in the Tex-Sin (Devonian) Field on November 19, 2002.
2. The Tex-Sin (Devonian) Field was discovered in 1962, and has 10 active wells operated by Finley.
3. Finley completed the newest well in the Tex-Sin (Devonian) Field, the Chilton “B” Lease Well No. 1, on July 24, 2001.
4. The initial potential of this well was 359 BOPD, with no gas or water, and its cumulative production is 160,352 BO and 44 MMCF of gas.
5. Field rules specify 80-acre proration units with an allowable of 390 BOPD.
6. The reservoir has a strong water drive and the older wells in the field produce with a water cut of 98% or more.
7. A progressive cavity pump was installed on the Chilton “B” No. 1 in September of 2002, increasing oil and water production and arresting the declining oil rate.
8. The production of the Chilton “B” No. 1 shows the well is capable of up to 781 BOPD with a water cut of 50 to 55%.
9. Other wells in the field maintain high fluid levels and may benefit from the introduction of downhole pumps.
10. Cancellation of overproduction will not harm the correlative rights as Brigham is the only operator in the field.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. Allowing wells in the Ten-Sin (Devonian) Field to produce at a maximum daily oil rate of 800

barrels will not cause waste and will promote conservation.

4. Cancellation of the overproduction of the Finley Resources Chilton "B" Lease Well No. 1 will not harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that Finley Resources's request to wells in the Tex-Sin (Devonian) Field at a maximum daily oil rate of 800 barrels be granted.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner

Date of Commission Action: December 20, 2002