



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

September 6, 2006

OIL AND GAS DOCKET NO. 02-0248231

APPLICATION OF DOUBLE PLAY OIL & GAS, INC., TO CONSIDER AN INCREASED NET GOR AND AN MER FOR THE MCNEIL NORTH LEASE WELL NO. 2, PARKTEX (HOCKLEY, LOWER) FIELD, LIVE OAK COUNTY, TEXAS

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

DATE OF HEARING: September 1, 2006

APPEARANCES:

Phil Russell
Glenn Burdine
Dana Seal

REPRESENTING:

Double Play Oil & Gas, Inc.

EXAMINER'S REPORT AND RECOMMENDATION STATEMENT OF THE CASE

This is the unopposed application of Double Play Oil & Gas for a net gas-oil ratio (GOR) which increases the permitted casinghead gas limit to 500 MCFD for the McNeil North Lease Well No. 2. Though the hearing was also noticed for an MER, it was requested at the hearing that the field yardstick allowable be amended from the 1947 yardstick to the 1965 yardstick. Amending the yardstick makes the MER proposal moot. Double Play also requests that all overproduction be canceled for its McNeil North Lease (RRC Lease No. 09001). The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Parktex (Hockley, Lower) Field was discovered in 1954 at 4,437' subsurface depth. The field operates pursuant to Statewide Rules. The top allowable for a well completed at this depth is 73 BOPD and a casinghead gas limit of 146 MCF per day. Double Play is the only operator in the field with one well.

The Double Play Oil & Gas, McNeil North Lease Well No. 2 was completed September 21, 2005 through perforations from 4,426' to 4,430' subsurface depth. The well potentialed at 176 BOPD, 402 MCFD and no water. The GOR (gas-oil ratio) was 2284:1 and flowing on a 12/64ths choke. The oil gravity is 44.2 °API. The initial flowing tubing pressure was 995 psig. Completion papers were not filed with the Commission in a timely manner and the well was not assigned an allowable until February 2006. The well overproduced approximately 15,600 BO and 28,000 MCF of gas. The current production of the well is approximately 95 BOPD and ±400 MCF of casinghead

gas, but has a penalized allowable of 64 BOPD because of high gas-oil ratio and the gas limit remains at a yield of 146 MCFD.

A net GOR resulting in a gas limit of up to 500 MCFD is appropriate and will not result in the loss of otherwise recoverable reserves. The testing shows that the well is not rate sensitive. The well has been producing on a 11/64th's choke. The adjustable choke was decreased upon stabilization of each rate to a 9/64th's choke. The flowing tubing pressure decreased from an average of 910 psi to 875 psi. The oil rate decreased from ± 90 BOPD to ± 62 BOPD. The casinghead gas yield rate decreased from 414 MCFD to ± 315 MCFD. The GOR ranged from ± 4450 to ± 5300 . This does not represent an order of magnitude that would indicate a waste of reservoir energy.

The subject field was discovered after the adoption of the Statewide Field Rules in effect for a field allowable in 1947 (Yardstick Rule).¹ The subject well was drilled and completed on a 40 acre tract. The 1965 yardstick states that wells completed on 40 acre density at this depth shall have a top allowable of 93 BOPD and an exception may be granted based on evidence presented.²

Cancellation of the over production will not harm correlative rights as there are no other operators in the field.

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 Parktex (Hockley, Lower) Field was discovered in 1954 at 4,437' subsurface depth.
 - a. The field operates pursuant to Statewide Rules.
 - b. The top allowable for a well completed at this depth is 73 BOPD and a casinghead gas limit of 146 MCF per day.
 - c. Double Play is the only operator in the field with one well.
4. The Double Play Oil & Gas, McNeil North Lease Well No. 2 was completed September 21, 2005 through perforations from 4,426' to 4,430' subsurface depth.

¹ Statewide Rule 45.

² Ibid

5. A net GOR resulting in a gas limit of up to 500 MCFD is appropriate and will not result in the loss of otherwise recoverable reserves.
 - a. The testing shows that the well is not rate sensitive. The well has been producing on a 1 1/64th's choke.
 - b. The adjustable choke was decreased after stabilization to a 9/64th's choke. The flowing tubing pressure decreased from an average of 910 psi to 875 psi.
 - i. The oil rate decreased from ± 90 BOPD to ± 62 BOPD.
 - ii. The casinghead gas yield rate decreased from 414 MCFD to ± 315 MCFD and the GOR ranged from ± 4450 to ± 5300 .
6. Cancellation of the over production will not harm correlative rights as there are no other operators in the field.

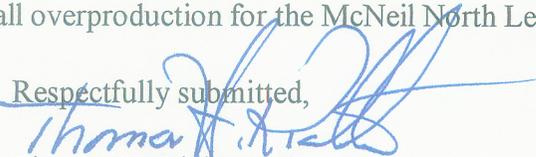
CONCLUSIONS OF LAW

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 500 MCFD is a matter properly within the jurisdiction of the Commission to foster conservation and prevent waste.
4. Approval of the proposed application of Double Play Oil & Gas Corp. for a net gas-oil ratio which increases the permitted GOR to a gas limit of 500 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 Four Play Oil and Gas, Inc. for a net gas-oil ratio (GOR) which increases the permitted GOR to a gas limit of 500 MCFD for the McNeil North Well No. 2 be approved. It is further recommended that all overproduction for the McNeil North Lease (RRC Lease No. 09001) be canceled.

Respectfully submitted,


Thomas H. Richter, P.E.

Technical Examiner
Office of General Counsel