



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

September 13, 2007

OIL AND GAS DOCKET NO. 04-0252707

APPLICATION OF BP AMERICA PRODUCTION COMPANY TO CONSIDER AN INCREASED NET GOR AUTHORITY FOR THE SCHUSTER OIL UNIT WELL NO. 1, DONNA (UPPER MORIN) FIELD, HIDALGO COUNTY, TEXAS

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

DATE OF HEARING: September 13, 2007

APPEARANCES:

Sandra Bolz Buch, attorney

John Sprowls

Justin Diven

Pippa Zimmerman

REPRESENTING:

BP America Production Company

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unopposed application of BP America Production Co. for a net gas-oil ratio (GOR) which increases the permitted gas limit to 2,500 MCFD for the Schuster Oil Unit Lease Well No. 1. BP America also requests that all overproduction be canceled for its Schuster Oil Unit Lease (RRC Lease No. 13381). The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Donna (Upper Morin) Field was discovered by re-completion of the BP America Production Co., Schuster Oil Unit Well No. 1 in 2006 through perforations from 6,932' to 6,942' subsurface depth. The field operates pursuant to Statewide Rules and the top allowable for a well in the field is 200 BOPD and a casinghead gas limit of 400 MCFD. BP America is the only operator in the field with one well.

The Schuster Oil Unit Well No. 1 potentialized at 78 BOPD, 39 MCFD and no water. The GOR was 500:1 flowing on a 3/64ths choke. The oil gravity is 44.5 °API. The initial flowing tubing pressure was 680 psig. The penalized oil allowable is 54 BOPD. The completion interval is 10' gross thickness of which 6 feet is productive. The subject reservoir will be a one well field. Cumulative production for the well through August 2006 is 39,580 BO and 221.6 MMCF of casinghead gas. Upon re-completion, the well was fitted with gas-lift valve plumbing.

A net GOR resulting in a gas limit of 2500 MCFD is appropriate. The reservoir is small and there is no indication of a water contact and the well produces water-free. There is nothing to indicate that there was an initial gas cap. An increasing GOR is expected in a solution gas drive reservoir. It is anticipated that the oil production will continue to decrease and the gas volume yield to increase. The testing shows that the well is not rate sensitive. The Schuster Well No. 1 was tested with the following results:

CHOKE (64ths)	OIL (BOPD)	GAS (MCFD)	GOR	FTP (PSI)	WTR (BPD)
22	200	1800	9000	650	0
18	155	1400	9030	700	0
16	127	1150	9055	700	0

Cancellation of the over production will not harm correlative rights as this is the only well 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 Donna (Upper Morin) Field was discovered in 2006 at 6,932' subsurface depth.
 - a. The field operates pursuant to Statewide Rules.
 - b. The top allowable for a well completed at this depth is 200 BOPD and a casinghead gas limit of 400 MCFD.
4. The BP America Production Co., Schuster Oil Unit Well No. 1 in 2006 through perforations from 6,932' to 6,942' subsurface depth. The well potentialed at 78 BOPD, 39 MCFD and no water.
5. A net GOR resulting in a gas limit of 2500 MCFD is appropriate as the testing shows that the well is not rate sensitive.
 - a. The reservoir is small and there of no indication of a water contact and the well produces water-free.
 - b. There is nothing to indicate that there was an initial gas cap and an increasing GOR is expected in a solution gas drive reservoir.

- c. It is anticipated that the oil production will continue to decrease and the gas volume yield to increase.
6. Cancellation of the over production of the Schuster Oil Unit (RRC Lease No. 13381) will not harm correlative rights.

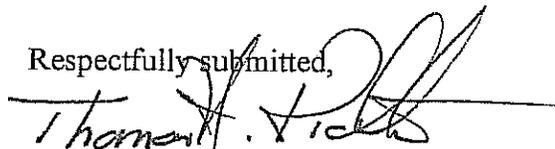
CONCLUSIONS OF LAW

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 2500 MCFD is a matter properly within the jurisdiction of the Commission to foster conservation and prevent waste.
4. Approval of the proposed application of BP America Production Company for a net gas-oil ratio which increases the permitted GOR to a gas limit of 2500 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 BP America Production Company for a net gas-oil ratio (GOR) which increases the permitted GOR to a gas limit of 2500 MCFD for the Schuster Oil Unit Well No. 1 be approved. It is further recommended that all overproduction for the Schuster Oil Unit (RRC Lease No. 13381) be canceled.

Respectfully submitted,



Thomas H. Richter, P.E.

Technical Examiner

Office of General Counsel