

June 26, 2007

OIL AND GAS DOCKET NO. 08-0251622

APPLICATION OF FOUR C OIL & GAS CORP., TO CONSIDER AN INCREASED NET GOR AUTHORITY FOR THE LEHN LEASE WELL NO. 2, S.E.G. (WICHITA-ALBANY) FIELD, PECOS COUNTY, TEXAS

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

DATE OF HEARING: June 21, 2007

APPEARANCES:

Dale E. Miller

REPRESENTING:

Four C Oil & Gas Corp.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Four C Oil & Gas for a net gas-oil ratio (GOR) which increases the permitted gas limit to 700 MCFD for the Lehn Lease Well No. 2. Four C also requests that all overproduction be canceled for its Lehn Lease (RRC Lease No. 37407). The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The S.E.G. (Wichita-Albany) Field was discovered in 1989 at 4,859' subsurface depth. The field operates pursuant to Statewide Rules. The top allowable for a well completed at this depth is 93 BOPD and a casinghead gas limit of 186 MCF per day. There are three operators in the field with one well each. The field is designated as an Associated Field. The allocation formula for the "gas" field has been suspended since 1995.

The Four C Oil & Gas, Lehn Well No. 2 was completed December 4, 2003 through perforations from 4,485' to 4,788' subsurface depth. The well potential at 100 BOPD, 80 MCFD and 2 BWPD. The GOR was 800:1 flowing on a 16/64ths choke. The oil gravity is 39.8 degree API. The initial flowing tubing pressure was 200 psig.

A net GOR resulting in a gas limit of 700 MCFD is appropriate. The Commission granted the previous Net GOR authority of 400 MCFD by Order No. 08-0246188 effective May 16, 2006. This was the result of acidizing the subject flowing well. Subsequently, the well was again acidized in August 2006. Both oil and gas production increased significantly. It was believed that the production would gradually decrease. After the stimulation, production increased to 13 BOPD and over 600 MCFD of casinghead gas in September 2006. Production for April 2007 averaged 16 BOPD and 586 MCFD of casinghead gas. Recent testing shows that the well is rate sensitive.

The Lehn Well No. 2 was tested over a 30 day period with the following results:

CHOKE	OIL	GAS	GOR	FTP	WTR
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(64ths)	(BOPD)	(MCFD)		(PSI)	(BPD)
16	11	550	53083	400	3
14	7	470	110871	560	1
13	6	470	88988	560	1

Paraffin build-up was observed at the first choke change and increased at the second change. When the choke was reduced to a 10/64ths, the gas yield rate decreased to 416 MCFD and the flowing tubing pressure increased to 720 psig. The flowing tubing pressure, however, began to decrease and after losing 20 percent, it was determined that the well was commencing to load-up. The choke was increased to 18/64ths and after several days, stabilized at 8 BOPD, 570 MCFD flowing at 360 psig. The proposed 700 MCFD casinghead gas yield is based on the anticipated result of a proposed acid stimulation program to be performed in August 2007.

Cancellation of the over production will not harm correlative rights. As the allocation formula has been suspended for the gas well since 1995, it is apparent no harm has occurred to the recovery of liquid hydrocarbons from the reservoir.

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 S.E.G. (Wichita-Albany) Field was discovered in 1989 at 4,859' subsurface depth.
 - a. The field operates pursuant to Statewide Rules.
 - b. The top allowable for a well completed at this depth is 93 BOPD and a casinghead gas limit of 186 MCF per day.
 - c. There are three operators in the field with one well each.
 - d. The field is designated as an Associated Field. The allocation formula for the "gas" field has been suspended since 1995.
4. The Commission granted the previous Net GOR authority of 400 MCFD by Order No. 08-0246188 effective May 16, 2006.
5. The Four C Oil & Gas, Lehn Well No. 2 was completed December 4, 2003 through perforations from 4,485' to 4,788' subsurface depth.
6. A net GOR resulting in a gas limit of 700 MCFD is appropriate as the testing shows that the

well is rate sensitive.

- a. Successive choke reductions decrease the flowing tubing pressure resulting in water production decreases as well as the oil rate decreases which are indicative of wellbore fluid loading. The produced oil is a high paraffin base and requires the well to be acidized.
 - b. After acid stimulation, production increased to 13 BOPD and over 600 MCFD of casinghead gas in September 2006. Production for April 2007 averaged 16 BOPD and 586 MCFD of casinghead gas.
 - c. It is anticipated that future re-acidizing the solution gas drive well will increase the casinghead gas yield.
7. Cancellation of the over production of the Lehn Lease (RRC Lease No. 37407) 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 700 MCFD is a matter properly within the jurisdiction of the Commission to foster conservation and prevent waste.
4. Approval of the proposed application of Four C Oil & Gas Corp. for a net gas-oil ratio which increases the permitted GOR to a gas limit of 700 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 C Oil & Gas Corp. for a net gas-oil ratio (GOR) which increases the permitted GOR to a gas limit of 700 MCFD for the Lehn Well No. 2 be approved. It is further recommended that all overproduction for the Lehn Lease (RRC Lease No. 37407) be canceled.

Respectfully submitted,

Thomas H. Richter, P.E.
Technical Examiner
Office of General Counsel