

THE APPLICATION OF CML EXPLORATION LLC TO CONSIDER AN MER ALLOWABLE FOR ALL WELLS IN THE BLAIR -TXL- LEASE AND BLAIR -TXL- "7" LEASE IN THE EDWARDS -04- (WOLFCAMP) FIELD, CRANE COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on February 6, 2009

Appearances:

William Osborn
Nolan von Roeder

Representing:

CML Exploration LLC

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

CML Exploration LLC requests that an MER allowable of 200 BOPD be established for all wells completed in the Blair -TXL- Lease (38698) and the Blair -TXL- "7" Lease (38621) in the Edwards -04- (Wolfcamp) Field. CML also requests that all accumulated overproduction be cancelled for these leases.

The application is unopposed and the examiner recommends approval of the requested MER and cancellation of overproduction.

DISCUSSION OF EVIDENCE

The Edwards -04- (Wolfcamp) Field was discovered in 1962 and has a top allowable of 121 BOPD. There are three producing oil wells in the field and no other operators. The field is governed by Statewide rules.

The Blair -TXL- "7" No. 2 was completed in June 2007 into the Wolfcamp formation at a depth of 7,852 feet. On initial test in August 2007, the well produced at a rate of 173 BOPD, 216 MCFD and 0 BWPD with a GOR of 1,248 from perforations between 7,852 and 7,870 feet. The well was put on production as a flowing well. The well's flowing rate increased to over 200 BOPD. Over time, the oil production decreased and stabilized at a rate of 150 BOPD until October 2008. The well suffers from paraffin production and was treated with a hot oil job. Oil production jumped to over 200 BOPD again.

The Blair -TXL- No. 3 was completed in December 2007 at a depth of 7,868 feet. On initial test in March 2008, the well produced at a rate of 157 BOPD, 63 MCFD and 0 BWPD with a GOR of 401 from perforations between 7,868 and 7,882 feet. The well was put on production as a flowing well. The well's flowing rate decreased and stabilized at a rate of 130 BOPD.

The Blair -TXL- No. 4 was completed in August 2008 at a depth of 7,852 feet. On initial test in March 2008, the well produced at a rate of 150 BOPD, 77 MCFD and 0 BWPD with a GOR of 513 from perforations between 7,852 and 7,864 feet. The well was put on production as a flowing well. The well's flowing rate decreased and stabilized at a rate of 135 BOPD.

All wells are currently producing with rod pumping units. The pumping rates were decreased in each well to produce within the allowable of 121 BOPD. The clock timers were reduced from 100% to 90% to 75% operating time. The average oil rate for the wells decreased to 110 to 128 BOPD. The producing gas-oil ratios are low between 860 to 510 scf/bbl per well prior to the tests. The GOR's and remained nearly constant with a slight 10% decrease in each well during the test. CML Exploration believes that producing the well at capacity (up to 200 BOPD) will not harm the reservoir.

The wells are overproduced an estimated 15,853 BO as of January 1, 2009. CML Exploration requests that this overage be cancelled.

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 Edwards -04- (Wolfcamp) Field was discovered in 1962 and has a top allowable of 121 BOPD.
3. The Blair -TXL- "7" No. 2, Blair -TXL- No. 3 and No. 4 were completed between June 2007 and August 2008 in the Edwards -04- (Wolfcamp) Field and produced at a rates from 150 to 173 BOPD, on initial test.
4. The wells initially were flowing wells but currently produce with rod pumping units.
 - a. The maximum oil rate of 336 BOPD was produced in October 2008 on the Blair -TXL- "7" No. 2 after a hot oil treatment.
 - b. The wells were tested by decreasing the pumping units' operating time from 100% to 75%.
 - c. The producing gas-oil ratio is low, 510-860 cubic feet per barrel, and remained nearly constant to a slight decline at lower producing rates.
5. The leases are overproduced approximately 15,853 BO as of January 1, 2009. Cancellation of this overage will not harm correlative rights.

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. Approval of an MER of 200 BOPD for all wells completed in the Blair -TXL- Lease (38698) and the Blair -TXL- "7" Lease (38621) and cancellation of overproduction for both leases in the Edwards -04- (Wolfcamp) Field will not cause waste and will not harm correlative rights.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of an MER of 200 BOPD for all wells completed in the Blair -TXL- Lease (38698) and the Blair -TXL- "7" Lease (38621) and cancellation of overproduction for both leases in the Edwards -04- (Wolfcamp) Field in Crane County, Texas.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner