

December 11, 2006

**OIL & GAS DOCKET NO. 7C-0249004**

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**APPLICATION OF MLC OPERATING, LP. TO CONSIDER A FIELDWIDE MER FOR THE FREEDOM (RUBY LIMESTONE) FIELD, CROCKETT COUNTY, TEXAS**

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**HEARD BY:** Thomas H. Richter, P.E.  
**DATE OF HEARING:** December 8, 2006  
**APPEARANCES:**

**REPRESENTING:**

Dale Miller

MLC Operating, LP

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unprotested application of MLC Operating for Commission consideration for a fieldwide per well MER of 300 BOPD. It is also proposed that any overproduction in excess of the assigned allowable for any lease in the subject field be canceled effective the date of the Order if this application is approved by the Commission. The examiner recommends approval.

**DISCUSSION OF THE EVIDENCE**

The Freedom (Ruby Limestone) Field was discovered May 20, 2006 by completion of the MLC Operating, Onyx Lease Well No. 1 through perforations from 4,030' to 4,057' subsurface depth. The field is governed by Statewide Rules and a discovery allowable of 130 BOPD. At expiration of the discovery allowable, the top allowable will become 93 BOPD. MLC Operating is the only operator in the field with two wells. The discovery well potentialized at 273 BOPD, 143 MCFD and 105 BWD (flowing). The Onyx "C" Lease Well No. 5 (completed August 4, 2006 through perforations from 3,415' to 3,425') potentialized at 205 BOPD, 162 MCF and no water.

The proposed fieldwide 300 BOPD per well MER is based on the testing over a 30-day period of the Onyx Lease Well No. 1 and Well No. 5 with the following results:

Onyx Well No. 1

OIL BPD	WATER BPD	GAS MCFD	CHOKE 64 ths	FTP PSI
122	25	122	12	670
110	37	83	11	575

140	32	118	10	620
69	22	90	9	500

Well opened to 12/64ths choke for 14 days. The oil continued to increase to 185 BOPD, gas increased to 179 MCFD, water increased to 38 BWPD.

Examiner’s Opinion: The average water cut remained relatively constant between 20 - 24%. The GOR remained between 800 - 1100:1. The testing indicates the well is producing efficiently at 185 BOPD and a flowing tubing pressure of 800 psig. <sup>1</sup>

Onyx Well No. 5

OIL BPD	WATER BPD	GAS MCFD	CHOKE 64 ths	FTP PSI
121	0	150	12	660
127	0	143	10	680

Well choke reduced to 9/64ths for 11 days. Oil production was erratic starting at 101, five days later increased to 149, then a continual decline to 85 BOPD. The gas production reflected the oil production fluctuation. However, the reported flowing pressure remained unchanged at 690 psig.

Examiner’s Opinion: If the well was indeed “fluid loading”, the flowing pressure should have been decreasing on both the 10/64ths (increased to 680 psig) and 9/64ths chokes (increased to 690 psig). There is no water production. The average GOR’s ranged between 1060 and 1250:1. When the well was opened back to a 12/64ths choke, the reported flowing pressure remained at 690 psig though the oil production increased to between 187 and 248 BOPD. The testing indicates the well is producing efficiently at 226 BOPD and a flowing tubing pressure of 690 psig. <sup>2</sup>

The proposed MER of 300 BOPD per well is requested to allow future flexibility to allow for sufficient gas volumes for wellbore fluid unloading.

It is proposed that any overproduction in excess of the assigned allowable for any lease in the field be canceled.

**FINDINGS OF FACT**

1. Notice of this application was given to all persons entitled to notice at least ten (10) days prior to the hearing.
2. There was no protest of the application.

<sup>1</sup> MLC Operating Exhibit No. 7 pg. 2

<sup>2</sup> MLC Operating Exhibit No. 7 pg. 4

3. The Freedom (Ruby Limestone) Field was discovered May 20, 2006 by completion of the MLC Operating, Onyx Lease Well No. 1 through perforations from 4,030' to 4,057' subsurface depth.
  - a. The field is governed by Statewide Rules with and a discovery allowable of 130 BOPD. At expiration of the discovery allowable, the top allowable will become 93 BOPD.
  - b. MLC Operating is the only operator in the field with two wells.
4. The proposed fieldwide 300 BOPD per well MER is based on the testing over a 30-day period of the Onyx Lease Well No. 1 and Well No. 5 with the following results:
  - a. Onyx Well No. 1: The average water cut remained relatively constant between 20 - 24%. The GOR remained between 800 - 1100:1.
  - b. Onyx Well No. 5: There is no water production. The average GOR's ranged between 1060 and 1250:1.
5. Canceling the overproduction on any over produced lease 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 fieldwide MER is a matter properly within the jurisdiction of the Commission to foster conservation and prevent waste.
4. Approval of the proposed application of will foster conservation and will not cause waste.
5. Cancellation of all overproduction in excess of the assigned allowable will not harm correlative rights.

#### **EXAMINER'S RECOMMENDATION**

It is recommended that the application of MLC Operating, Inc. for Commission consideration for a fieldwide per well MER of 300 BOPD in the Freedom (Ruby Limestone) Field be approved. It is further recommended that all accrued overproduction in excess of the assigned allowable for any well in the field be canceled.

Respectfully submitted,

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