

OIL AND GAS DOCKET NO. 08-0249631

THE APPLICATION OF MIDLAND OIL & GAS, INC. TO ESTABLISH AN MER FOR THE BLIZZARD NO. 1 IN THE SARA-MAG (CANYON REEF) FIELD, HOWARD COUNTY, TEXAS

Heard by: Donna K. Chandler on December 20, 2006

Appearances:

Don Rhodes

Representing:

Midland Oil and Gas, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Midland Oil & Gas, Inc. requests an MER of 170 BOPD for its Blizzard No. 1 in the Sara-Mag (Canyon Reef) Field. Midland also requests that all accumulated overproduction be cancelled for this lease.

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

DISCUSSION OF EVIDENCE

The Sara-Mag (Canyon Reef) Field was discovered in 1954 at a depth of approximately 7,500 feet. There are currently 12 producing oil wells in the field. The top allowable in the field is 121 BOPD.

Midland Oil & Gas completed its Blizzard No. 1 in March 2006 with perforations in the Canyon Reef between 7,626 and 7,635 feet. On initial test, the well produced at a rate of 125 BOPD, 122 MCFD and 0 BWPD flowing through a 9/64" choke. By June 2006, the well would no longer flow due to increased water production up to 200 BWPD. The well was equipped with a rod pump to lift the large volumes of fluid. Oil and casinghead gas now flow up the casing-tubing annulus and water is pumped up the tubing. The well is capable of producing up to 170 BOPD. Water production is over 200 BWPD. The producing gas-oil ratio is approximately 2,000 cubic feet per barrel.

Water production in Canyon Reef fields is common. It is also common for wells to lose producing capability if production is restricted or if wells are shut-in, allowing water to accumulate on the formation. For these reasons, Midland did not attempt to restrict the Blizzard No. 1 to its current allowable rate of 121 BOPD.

Cumulative overproduction is over approximately 2,350 BO as of November 1, 2006. It is requested that all overage be canceled.

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 Sara-Mag (Canyon Reef) Field was discovered in 1954 and has a top allowable of 121 BOPD.
3. The Blizzard No. 1 was completed in March 2006 and flowed at a rate of 125 BOPD, 122 MCFD and 0 BWPD flowing through a 9/64" choke.
4. In June 2006, the well was equipped with a rod pump to lift the increasing water production. Oil and casinghead gas now flow up the casing-tubing annulus and water is pumped up the tubing.
5. Producing the Blizzard No. 1 at rates up to 170 BOPD will not cause waste. The producing gas-oil ratio is approximately 2,000 cubic feet per barrel.
6. The subject well is overproduced approximately 2,350 BO.

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 170 BOPD and cancellation of overproduction for the Blizzard No. 1 in the Sara-Mag (Canyon Reef) 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 170 BOPD and cancellation of overproduction for the Blizzard No. 1 in the Sara-Mag (Canyon Reef) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner