

THE APPLICATION OF MLC OPERATING, LP TO CONSIDER TEMPORARY FIELD RULES FOR THE FREEDOM (RUBY LIMESTONE) FIELD, CROCKETT COUNTY, TEXAS

Heard by: Andres J. Trevino, P.E. on March 8, 2007

Appearances:

Representing:

Dale Miller

MLC Operating, LP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

MLC Operating, LP requests that temporary field rules be adopted for the Freedom (Ruby Limestone) Field. The proposed rules are summarized as follows:

1. Designation of the field as the correlative interval from 4,006 feet to 4,118 feet as shown on the log of the Onyx Well No. 1;
2. 660' - 1,320' well spacing;
3. 80 acre oil units with 40 acre tolerance and a maximum diagonal of 3,250 feet;
4. Allocation based on 100% acreage.

This application was unopposed and the examiner recommends adoption of the proposed temporary field rules.

DISCUSSION OF EVIDENCE

The Freedom (Ruby Limestone) Field was discovered in May 2006 upon completion of the Onyx No. 1 by MLC Operating, LP. On initial test, the well flowed at a rate of 273 BOPD, 105 BWPD and 143 MCFD. Two other wells have been completed in the field.

The Onyx No. 1 is perforated in the Ruby Limestone between 4,030 feet and 4,057 feet. MLC requests that the field be designated as the correlative interval from 4,006 feet to 4,118 feet as shown on the log of the Onyx No. 1. This interval includes the entire Ruby Limestone.

The Onyx No. 1, Onyx "C" No. 5 and the Pearl Unit No. 2 have produced 48,535, 39,885 and 1,502 BO respectively through Feb 2007. Assuming a 50% decline, the wells will ultimately recover a total of 254,901 BO. Average porosity of the reservoir is 7%, the average

water saturation is 35% and the average net effective oil pay thickness is 41 feet. Recoverable reserves are estimated to be 48 STB/ac-ft. Volumetric calculations indicated that the Onyx No. 1, Onyx "C" No. 5 and the Pearl Unit No. 2 will drain approximately 49, 79 and 1 acres, respectfully.

MLC requests 660'-1,320' well spacing, which is standard for 80 acre density. MLC also requests that allocation be based on 100% acreage.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Freedom (Ruby Limestone) Field was discovered in May 2006 upon completion of the Onyx No. 1 by MLC Operating LP. Two other wells have been completed in the field.
3. With an estimated ultimate recovery of 254,901 BO for the existing three wells, the three wells are expected to drain approximately 1, 49 and 79 acres each.
4. Well spacing a minimum of 660 feet from lease lines and 1,320 feet between wells is standard for 80 acre density.
5. Allocation based on 100% acreage is a reasonable method of allocation which will protect the correlative rights of mineral owners in the field.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Adoption of the proposed field rules for the Freedom (Ruby Limestone) Field on a temporary basis is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends that the Commission adopt the field rules proposed by MLC Operating, LP for the Freedom (Ruby

Limestone) Field on a temporary basis, subject to review in 18 months.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner