

December 14, 2006

OIL AND GAS DOCKET NO. 7C-0249003

APPLICATION OF MLC OPERATING LP, TO CONSIDER AN INCREASED NET GOR AUTHORITY FOR THE ONYX LEASE WELL NO. 2, FREEDOM (UPPER CLEAR FORK) FIELD, CROCKETT COUNTY, TEXAS

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

DATE OF HEARING: December 8, 2006

APPEARANCES:

Dale E. Miller

REPRESENTING:

MLC Operating LP

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of MLC Operating for a net gas-oil ratio (GOR) which increases the permitted gas limit to 700 MCFD for the Onyx Lease Well No. 2. MLC Operating also requests that all overproduction be canceled for its Onyx Lease (RRC Lease No. 16007). The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Freedom (Upper Clear Fork) Field was discovered June 7, 2006 by completion of the MLC Operating, Onyx Lease Well No. 2 through perforations from 3,540' to 3,596' subsurface depth. The well potentialized at 33 BOPD, 250 MCFD, no water and flowing on a 14/64ths choke at 900 psig. The discovery allowable for a well in the field is 100 BOPD and a casinghead gas limit of 200 MCFD. Upon expiration of the discovery allowable, the top allowable will be 84 BOPD and a casinghead gas limit of 168 MCFD. MLC Operating is the only operator in the field with one well.

The well produced 425 BO and 3,978 MCF of gas and was shut-in awaiting a pipeline connection. The well was subsequently recompleted through perforations from 3,090' and 3,190' subsurface depth (the lower perforations were plugged off).

A net GOR resulting in a gas limit of 700 MCFD is appropriate. The maximum oil production during the testing was 41 BOPD. The daily production rate shows that the well flows by slugs and thus it is necessary that the formation gas volume to lift the fluid. The GOR's fluctuate from $\pm 7,600:1$ to infinity. Testing on smaller choke restrictions produced line choke freezing as oil production decreased to zero and falling gas rates. The well is a candidate for a pipeline compression assist and future artificial plunger lift.

Cancellation of the over production will not harm correlative rights as this is the only well in the field.

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.
3. The Freedom (Upper Clear Fork) Field was discovered June 7, 2006 by completion of the MLC Operating, Onyx Lease Well No. 2 through perforations from 3,540' to 3,596' subsurface depth.
 - a. The discovery allowable for a well in the field is 100 BOPD and a casinghead gas limit of 200 MCFD and upon expiration of the discovery allowable, the top allowable will be 84 BOPD and a casinghead gas limit of 168 MCFD.
 - b. MLC Operating is the only operator in the field with one well.
4. The well potentialled at 33 BOPD, 250 MCFD, no water and was shut-in several months awaiting a casinghead gas pipeline connection.
5. A net GOR resulting in a gas limit of 700 MCFD is appropriate as the testing shows that the well is rate sensitive.
 - a. The daily production rates shows that the well flows by slugs and the formation gas volume is necessary to lift the fluid.
 - b. The GOR's fluctuate from $\pm 7,600:1$ to infinity.
 - c. Testing on smaller choke restrictions produced line choke freezing as oil production decreased to zero and falling gas rates.
6. Cancellation of the overproduction of the Onyx Lease (RRC Lease No. 16007) will not harm correlative rights as this is the only well in the field.

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 MLC Operating 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 MLC Operating LP for a net gas-oil ratio (GOR) which increases the permitted GOR to a gas limit of 700 MCFD for the Oryx Lease Well No. 2 be approved. It is further recommended that all overproduction for the Onyx Lease (RRC Lease No. 16007) be canceled.

Respectfully submitted,

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