

THE APPLICATION OF MILESTONE OPERATING, INC. TO CONSIDER INCREASED NET GAS-OIL RATIO AUTHORITY FOR THE E.D. PLEASANT LEASE, WELL NO. 8, LOVELLS LAKE (MARG. 2) FIELD, JEFFERSON COUNTY, TEXAS

HEARD BY: Marshall F. Enquist - Legal Examiner

EXAMINER'S REPORT ISSUED BY: Richard D. Atkins, P.E. - Technical Examiner

DATE OF HEARING: February 4, 2011

APPEARANCES:

REPRESENTING:

APPLICANT:

Robert E. Dreyling

Milestone Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Milestone Operating, Inc. ("Milestone") requests authority to produce its E.D. Pleasant Lease, Well No. 8, under increased net gas-oil ratio authority with a casinghead gas limit of 500 MCFGPD. Milestone also requests that all overproduction for the well be canceled.

This application was unopposed and the examiner recommends approval of the increased net gas-oil ratio authority with a casinghead gas limit of 500 MCFGPD and cancellation of the well overproduction.

DISCUSSION OF EVIDENCE

The Lovells Lake (Marg. 2) Field was discovered in February 1948 at a depth of 7,300 feet. The field has 2 producing oil wells carried on the proration schedules and operates under Field Rules providing for 467'-933' well spacing, 40 acre oil units with 20 acre gas units and allocation based on 100% acres. The top allowable is 149 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel and a daily gas limit of 298 MCFG.

The E.D. Pleasant Lease, Well No. 8, was plugged back from a deeper Frio formation in October 2010 with perforations from 7,308 feet to 7,311 feet. On initial test, the well produced flowing at a rate of 32 BOPD, 476 MCFGPD and 0 BWPD. The initial GOR was 14,841 cubic feet per barrel.

OIL AND GAS DOCKET NO. 03-0268568

The field is an undersaturated oil reservoir with a strong water drive as the primary drive mechanism. Since there is only three remaining producing oil wells that have not been watered out, the field is in the last stage of depletion.

In order to determine rate sensitivity, Milestone tested the E.D. Pleasant Lease, Well No. 8, during November and December 2010. The results of the testing are summarized as follows:

Choke Size (in)	Oil Rate (bopd)	Gas Rate (mcfpd)	Water Rate (bwpd)	FTP (psi)	GOR (cuft/bbl)
8/64	19	322	0	2,440	16,947
9/64	20	334	0	2,280	16,700
11/64	28	470	0	2,170	16,786

The well is not rate sensitive and Milestone believes that oil will be left behind in the reservoir if the gas production is curtailed allowing the strong water drive to prematurely invade the oil zone. In order to maximize production and prevent waste, Milestone requests an increased net gas-oil ratio authority with a casinghead gas limit of 500 MCFGPD be approved. This will also allow for the depletion of the reservoir without any reservoir damage, prevent oil from being left behind in the formation if the gas production is curtailed and increase the ultimate recovery from the well.

As of January 31, 2011, the well is overproduced 2,880 MCFG. Milestone requests that the overage for the well 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 Lovells Lake (Marg. 2) Field was discovered in February 1948 at a depth of 7,300 feet.
 - a. The field has 2 producing oil wells carried on the proration schedules.
 - b. The field operates under Field Rules providing for 467'-933' well spacing, 40 acre oil units with 20 acre gas units and allocation based on 100% acres.
 - c. The top allowable is 149 BOPD with an allowable gas-oil ratio of 2,000 cubic feet per barrel and a daily gas limit of 298 MCFG.
3. The E.D. Pleasant Lease, Well No. 8, was plugged back from a deeper Frio formation in October 2010 with perforations from 7,308 feet to 7,311 feet.

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On initial test, the well produced flowing at a rate of 32 BOPD, 476 MCFGPD and 0 BWPD. The initial GOR was 14,841 cubic feet per barrel.

4. The field is an undersaturated oil reservoir with a strong water drive as the primary drive mechanism.
 - a. Since there is only three remaining producing oil wells that have not been watered out, the field is in the last stage of depletion.
 - b. On a 11/64 inch choke, Well No. 8 produced flowing at a rate of 28 BOPD, 470 MCFGPD and 0 BWPD. The GOR was 16,786 cubic feet per barrel.
 - c. The well is not rate sensitive.
 - d. Oil will be left behind in the reservoir if the gas production is curtailed allowing the strong water drive to prematurely invade the oil zone.
5. Producing the well at rates of up to 500 MCFGPD will not cause waste.
6. As of January 31, 2011, the well is overproduced 2,880 MCFG.

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 the increased net gas-oil ratio authority with a casinghead gas limit of 500 MCFGPD for the E.D. Pleasant Lease, Well No. 8, in the Lovells Lake (Marg. 2) Field and cancellation of the well's overproduction will not cause waste and will not harm correlative rights.

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RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the E.D. Pleasant Lease, Well No. 8, in the Lovells Lake (Marg. 2) Field be authorized to produce under net gas-oil ratio authority with a casinghead gas limit of 500 MCFGPD and that all accumulated overproduction for the well be canceled.

Respectfully submitted,

Richard D. Atkins, P.E.
Technical Examiner