

OIL AND GAS DOCKET NO. 03-0249177

THE APPLICATION OF WALTER OIL & GAS CORPORATION TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) HAMMAN DEEP (FRIO 12,000) FIELD, MATAGORDA COUNTY, TEXAS

Heard by: Donna K. Chandler on October 23, 2006

Appearances:

Tim George
Derrick Price
Mimi Winetroub

Representing:

Walter Oil & Gas Corporation

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Walter Oil & Gas Corporation requests that a new field designation called the Hamman Deep (Frio 12,000) Field be approved for its Kasman Well No. 1. Walter also requests that the following rules be adopted for the Hamman Deep (Frio 12,000) Field:

1. Designation of the field as the correlative interval from 11,738 feet to 12,990 feet as shown on the log of the Kasman No. 1;
2. Allocation based on 95% deliverability and 5% per well.

There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

DISCUSSION OF EVIDENCE

Walter Oil & Gas Corporation completed its Kasman No. 1 in April 2006. The well is perforated in the Frio between 12,042 feet and 12,198 feet. On initial test, the well produced at a maximum rate of 8,109 MCFD.

The new field designation should be approved for the Kasman No. 1. There are nine wells within a 2½ mile radius of the No. 1 well which have penetrated the interval to be

designated as the new field. Two of the nine were dry holes. Walter submitted a structure map demonstrating that the Kasman No. 1 produces from a fault block which is separate from all of the other wells. Additionally, the Kasman No. 1 encountered virgin pressure of 9,676 psig.

Walter requests that the entire correlative interval between 11,738 feet and 12,990 feet in the Kasman No. 1 be considered a single field. This interval includes several sands in the Middle Frio which appear to be productive based on the log of the Kasman No. 1

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Walter requests that allocation be based on 95% deliverability and 5% per well for the field.

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. Walter Oil & Gas Corporation completed its Kasman Well No. 1 in April 2006 with perforations in the Frio between 12,042 feet and 12,198 feet. On initial test, the well produced at a rate of 8,109 MCFD.
3. The Kasman No.1 is entitled to a new field designation.
 - a. No other wells within a 2½ mile radius are completed in the same fault block as the Kasman No. 1.
 - b. The Kasman No. 1 encountered virgin pressure.
4. The entire correlative interval from 11,738 feet to 12,990 feet as shown on the log of the Kasman Well No. 1 should be designated as the Hamman Deep (Frio 12,000) Field.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single 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. Approval of the requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the Hamman Deep (Frio 12,000) Field.

Respectfully submitted,

Donna K. Chandler
Technical Examiner