

**OIL AND GAS DOCKET NO. 08-0252994**

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**THE APPLICATION OF J. CLEO THOMPSON TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) GOLDEN CORRAL (DELAWARE) FIELD, REEVES COUNTY, TEXAS**

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**Heard by:** Donna K. Chandler on September 14, 2007

**Appearances:**

Tim Smith

**Representing:**

J. Cleo Thompson

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

J. Cleo Thompson requests that a new field designation be approved for its Fasken Ranch 34 Well No. 3 called the Golden Corral (Delaware) Field. Thompson requests that the following temporary field rules be adopted for the Golden Corral (Delaware) Field:

1. Designation of the field as the correlative interval from 3,498 feet to 3,638 feet as shown on the log of the Fasken 34 Well No. 3;
2. 467'-1,200' well spacing;
3. 160 acre gas units plus 10% tolerance and a maximum diagonal of 5,500 feet; 80 acre optional units with a maximum diagonal of 3,250 feet;
4. Allocation based on 100% deliverability with AOF status.

This application was unopposed and the examiner recommends approval of the new field designation and temporary field rules, with the exception of the allocation formula. The examiner recommends that acreage be based on 100% acreage. Thompson did not consider this to be an adverse recommendation.

### DISCUSSION OF EVIDENCE

J. Cleo Thompson completed it Fasken Ranch 34 No. 3 in November 2006 and produces from perforations between 3,515 and 3,537 feet. The well produced at a rate of 358 MCFD from this interval. The well was placed in the Casey Draw (Delaware) Field for proration purposes.

The proposed correlative interval for the field is from 3,498 feet to 3,638 feet as shown on the log of the Fasken Ranch 34 Well No. 3. This interval includes the entire Delaware. There is no Delaware production within a 2 ½ mile radius of the Fasken Ranch 34 No. 3 and the well is therefore entitled to a new field designation. The closest Delaware production is the Casey Draw (Delaware) Field about 7 miles to the east.

The Fasken Ranch 34 No. 3 was initially completed in a deeper Delaware interval at approximately 3,620 feet. This zone produced sulfur water and was squeezed with a retainer set at 3,600 feet. The well was recompleted above a 10 foot shale interval at 3,515 feet to 3,537 feet. Six more wells have been drilled to the field, with drilling stopped before the shale interval is reached, in an effort to avoid the water zone. As a result of this completion technique, little open log data is available. Thompson has relied on performance from the nearby field, the Casey Draw (Delaware) Field, to estimate recovery of wells in the new field.

From log analysis of the Fasken Ranch 34 No. 3, Thompson determined average porosity and average water saturation for two zones above the shale interval. The primary zone has 16% average porosity, 26.5% average water saturation and net pay is 18 feet. For the secondary zone, average porosity is 7%, average water saturation is 26.5% and net pay is 16 feet. Assuming 50% recovery for a water drive reservoir, recoverable reserves beneath 160 acres from both intervals are 1.3 BCF of gas. From the primary zone only, recoverable reserves beneath 160 acres are 966 MMCF. Wells in the Casey Draw (Delaware) Field produces as much as 548 MMCF. Thompson therefore believes that 160/optional 80 acre density is appropriate for development of this new field until additional production information is available.

The proposed 467'-1,200' well spacing is necessary to provide flexibility in locating future wells in this water drive reservoir at optimum structural locations. The Casey Draw (Delaware) Field, now inactive, has rules providing for 467'-1,200' well spacing and 320 acre density.

A two-factor allocation formula is not required for this new field and Thompson had requested that allocation be based on 100% deliverability and that the allocation formula be suspended because there is a market for all gas produced from this new field. Thompson was not adverse to allocation 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 Fasken Ranch 34 No. 3 was completed in November 2006 and is currently producing from perforations between 3,515 and 3,537 feet. Six additional wells have been completed in the field.
3. Due to encountering water in deeper portions of the Delaware in the Fasken Ranch 34 No. 3, the more recent wells are drilled only into the top portion of the Delaware and no deeper than a 10 foot shale interval which is correlative in the area.
4. A new field designation is appropriate for the Fasken Ranch 34 Well No. 3 because there is no comparable production within 2½ miles of the well.
5. Field rules providing for 160/optional 80 acre density is appropriate for the new field.
  - a. Recoverable reserves beneath 160 acres are 966 MMCF from the primary producing interval.
  - b. There is little production available for the six new wells completed in the new field.
  - c. Wells in the Casey Draw (Delaware) Field, the nearest comparable field, have produced as much as 548 MMCF of gas.
6. The Golden Corral (Delaware) Field should be defined as the correlative interval from 3,498 to 3,638 feet as shown on the log of the Fasken Ranch 34 Well No. 3.
7. Well spacing a minimum of 467 feet from lease lines and 1,200 feet between wells will provide additional flexibility in locating wells at optimum structural locations in this water drive reservoir.
8. Allocation based on 100% acreage is a reasonable formula which will protect correlative rights.
9. There is a market for all gas produced from the Golden Corral (Delaware) 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 temporary field rules will prevent waste, protect correlative rights and promote the orderly development of the field.
4. Suspension of the allocation formula for the Golden Corral (Delaware) Field is appropriate pursuant to Statewide Rule 31 (j).

**RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of temporary field rules for the Golden Corral (Delaware) Field.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner