



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET 08-0246799

THE APPLICATION OF FASKEN OIL & RANCH, LTD. FOR NEW FIELD DESIGNATION AND TWO-FACTOR ALLOCATION FORMULA FOR THE (PROPOSED) SLAUGHTER PIK (WOLFCAMP) FIELD, PECOS COUNTY, TEXAS

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: March 22, 2006

Hearing held: April 13, 2006

Appearances

Jim Cowden
Travis White
Stonnie Pollock
Jimmy Carlile

Representing

Fasken Oil & Ranch, Ltd.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Fasken Oil & Ranch, Ltd. ("Fasken") is requesting that its Slaughter PIK "18" Lease, Well No. 1, be designated as the discovery well for a new field. The requested field rules are summarized as follows:

1. Designated interval from 6138' to 10,890' as shown on the log of the Slaughter PIK "18" Lease, Well No. 1; and
2. allocation based 95% on deliverability and 5% per well.

DISCUSSION OF THE EVIDENCE

Fasken's Slaughter PIK "18" Lease, Well No. 1, was drilled in 1979 by Getty Oil Company, and plugged as a dry hole. Fasken re-entered the well in August, 2005. The well has four sets of perforations between 7806' and 8330' and had an initial deliverability of 180 MCFD. The well encountered virgin pressure of 3316 psi.

There are no producing wells within 2 -1/2 miles of the Slaughter PIK "18" Lease. The proposed designated interval has several sandstones that may or may not be in natural communication.

No problems are anticipated due to downhole-commingling production from the Wolfcamp sandstones within this interval, as they have been commingled without problems in other fields in Pecos County. It is necessary to produce these sandstones together to have enough production to make an economic well. Producing these sandstones together will also lower the abandonment rate of an individual sandstone and result in incremental production.

Cumulative production from Well No. 1 has been 14 MMCF and 36 BC. There were gas shows during drilling both above and below the existing perforations. Fasken is planning to perforate more sandstones and install compression. Reservoir data includes a porosity of 7%, permeability of 0.02 md, water saturation of 25% and a gas/oil ratio of 267,000 cubic feet per barrel.

The top of the productive Wolfcamp is at 6138' (about 150' below the base of the Cretaceous) in the discovery well and the base of the productive interval is at 10,890'. The base of the Wolfcamp Formation is at 14,070'. Because the proposed designated interval includes multiple reservoirs that are not in natural communication, a two-factor allocation formula is required by statute. One based 5% per well and 95% on deliverability will satisfy statutory requirements.

FINDINGS OF FACT

1. Notice of this hearing was mailed to all operators offsetting the discovery well for the (proposed) Slaughter PIK (Wolfcamp) Field on March 30, 2006.
2. The Slaughter PIK (Wolfcamp) Field was discovered with the completion of the Fasken Oil & Ranch, Ltd. Slaughter PIK "18" Lease Well No. 1, in August, 2005.
3. The discovery well is perforated in four Wolfcamp sandstones between 7806' and 8330', and had an initial deliverability of 180 MCFD.
4. The interval from 6138' to 10,890' in the Fasken Oil & Ranch, Ltd. Slaughter PIK "18" Lease, Well No. 1, includes the potentially productive sandstones in the Wolfcamp Formation.
5. The Slaughter PIK "18" Lease Well No. 1 encountered a new field as there are no other fields within 2-1/2 miles.
6. A two-factor allocation formula, such as the proposed one based 5% per well and 95% on deliverability, will protect correlative rights and satisfy statutory requirements.

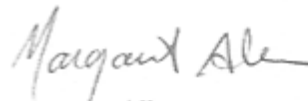
CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The requested new field and field rules will prevent waste, protect correlative rights and promote orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends that the Slaughter PIK (Wolfcamp) Field be approved as a new field with the requested field rules, as per the attached order.

Respectfully submitted,

A handwritten signature in cursive script that reads "Margaret Allen".

Margaret Allen
Technical Hearings Examiner