December 28, 2006

OIL AND GAS DOCKET NO. 8A-0249747

APPLICATION OF FASKEN OIL AND RANCH, LTD. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED MATI RAE (SPRABERRY) FIELD, DAWSON COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.
DATE OF HEARING: December 15, 2006

APPEARANCES:	**REPRESENTING:**
Jim Cowden, attorney	Fasken Oil and Ranch, LTD.
Jimmy D. Carlile	
Stonnie Pollock	
Aaron Dover	

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Fasken Oil and Ranch, LTD. for the Commission to consider a new field designation and field rules for the proposed Mati Rae (Spraberry) Field that provide for:

1. The entire combined correlative interval from 6,968' to 7,700' subsurface depth as shown on the type log of the Fasken Oil and Ranch, LTD., Hawkins "14" Lease Well No. 1, (API No. 42-115-33157), Section 14, Blk 35, T & P RR Co. Survey, Dawson County, Texas should be recognized and designated as the Mati Rae (Spraberry) Field.

2. Minimum well spacing of 330'/933' (lease line/between well),

3. 40 acre proration units with 20 acre tolerance and maximum diagonal of 2,100';

4. An allocation formula based on 100% acreage.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Mati Rae (Spraberry) Field was discovered on July 1, 2006 by completion of the Fasken Oil & Ranch, Hawkins "14" Lease Well No. 1through perforations from 7,454' to 7,478' subsurface

depth.[1] The well potentialed at 76 BOPD, 55 MCFD and 123 BWPD and is produced by artificial lift. Pursuant to Statewide Rule 45, the discovery allowable for a well completed at this depth is 270 BOPD. Fasken Oil and Ranch has subsequently completed a second well, the Hawkins "14" Lease Well No. 2, through perforations from 7,474' to 7,522' subsurface depth. The well potentialed at 39 BOPD, 22 MCFD and 68 BWPD and is produced by artificial lift. Both wells were initially permitted and completion forms were filed with the field designation of Key West (Spraberry) Field as this was the closest field with Spraberry Formation production.

The proposed Mati Rae (Spraberry) Field is a new field designation based on the review of all wells completed within 2.5 miles of the subject well. The nearest producing Spraberry Formation wells are located in the new field designation, the Los Ybanez (Spraberry) Field [Oil & Gas Docket No. 8A-0249748], approximately 1.5 miles west of the proposed field. The Key West (Spraberry) Field is approximately 2.5 miles west-southwest of the subject well. However, there is a "dry-hole" well between the Los Ybanez (Spraberry) Field and the proposed field.

It is proposed that the entire combined correlative interval from 6,968' to 7,700' subsurface depth as shown on the type log of the Fasken Oil and Ranch, LTD., Hawkins "14" Lease Well No. 1, (API No. 42-115-33157), Section 14, Blk 35, T & P RR Co. Survey, Dawson County, Texas should be recognized and designated as the Mati Rae (Spraberry) Field.

Proration unit density of 40 acres is necessary to provide for the efficient and effective depletion of the reservoir. Basic reservoir parameters are: average porosity is 20%, average water saturation is 22%, and the average net pay is 21 feet. The original reservoir pressure was 4,042 psig.[2]
The Key West (Spraberry) Field rules provide for 80 acre and optional 40 acre density and the proposed Los Ybanez (Spraberry) Field (Oil & Gas Docket No. 8A-0249748). The reservoir characteristics for the subject field are similar to the Key West (Spraberry) Field and Los Ybanez (Spraberry) Field and the volumetric and drainage area analysis are comparable. Cumulative production from the subject field is 7,600 BO and 6.1 MMCF of casinghead gas.

The proposed minimum well spacing, 330'/933' (leaseline/between well), will provide flexibility in locating wells in the subject field and is identical to the minimum well distances for the Key West (Spraberry) Field and the proposed Los Ybanez (Spraberry) Field

An allocation formula based on 100% acreage will provide for the protection of correlative rights pursuant to State Statutes.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject field at least ten (10) days prior to the subject hearing.

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[1] The Wolfcamp Formation is also perforated from 8,648' to 8,662' but is isolated by a CIBP set at 8,598'.

[2] Bottomhole pressure based on post frac Horner Plot analysis of the Hawkins "14" Well No. 1.

2. There was no protest at the call of the hearing.

3. The Mati Rae (Spraberry) Field was discovered on July 1, 2006 by completion of the Fasken Oil & Ranch, Hawkins "14" Lease Well No. 1through perforations from 7,454' to 7,478' subsurface depth.

    a. Fasken Oil & Ranch has completed two wells that were initially permitted and completion forms were filed with the field designation of Key West (Spraberry) Field as this was the closest field with Spraberry Formation production.

4. The proposed Mati Rae (Spraberry) Field is a new field designation based on the review of all wells completed within 2.5 miles of the subject well.

    a. The nearest producing Spraberry Formation wells are located in the new field designation, the Los Ybanez (Spraberry) Field [Oil & Gas Docket No. 8A-0249748], approximately 1.5 miles west of the proposed field. The Key West (Spraberry) Field is approximately 2.5 miles west-southwest of the subject proposed field.

    b. There is a "dry-hole" well between the Los Ybanez (Spraberry) Field and the proposed field.

5. The entire combined correlative interval from 6,968' to 7,700' subsurface depth as shown on the type log of the Fasken Oil and Ranch, LTD., Hawkins "14" Lease Well No. 1, (API No. 42-115-33157), Section 14, Blk 35, T & P RR Co. Survey, Dawson County, Texas should be recognized and designated as the Mati Rae (Spraberry) Field.

6. Proration unit density of 40 acres is necessary to provide for the efficient and effective depletion of the reservoir.

    a. The Key West (Spraberry) Field and Los Ybanez (Spraberry) Field rules provide for 80 acre and optional 40 acre density and the subject field reservoir characteristics are similar .

    b. The volumetric and drainage area analysis are comparable.

7. The proposed minimum well spacing, 330'/933' (leaseline/between well) will provide flexibility in locating wells in the subject field and is identical to the minimum well distances for the Key West (Spraberry) Field and Los Ybanez (Spraberry) Field.

8. An allocation formula based on 100% acreage will provide for the protection of correlative rights pursuant to State Statutes.

CONCLUSIONS OF LAW

1. Proper notice was given to all parties as set out in the provisions of all applicable codes and regulatory statutes.

2. All things have occurred and been accomplished to give the Commission jurisdiction in this matter.

3. Consideration of a new field designation and field rules is a matter within the Commission jurisdiction.

4. Adoption of the proposed field rules will prevent waste, foster conservation and protect correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed new field designation and field rules for the Mati Rae (Spraberry) Field.

Respectfully submitted,

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