

December 27, 2006

OIL AND GAS DOCKET NO. 8A-0249748

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

HEARD BY: Thomas H. Richter, P.E.

DATE OF HEARING: December 15, 2006

APPEARANCES:

Jim Cowden, attorney
Jimmy D. Carlile
Stonnie Pollock
Aaron Dover

REPRESENTING:

Fasken Oil and Ranch, LTD.

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 Los Ybanez (Spraberry) Field that provide for:

1. The entire combined correlative interval from 7,118' to 7,700' subsurface depth as shown on the type log of the Fasken Oil and Ranch, LTD., Autrey Burke "16" Lease Well No. 1, (API No. 42-115-33159), Section 16, Blk 35, T & P RR Co. Survey, Dawson County, Texas should be recognized and designated as the Los Ybanez (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 Los Ybanez (Spraberry) Field was discovered on June 16, 2006 by completion of the Fasken Oil & Ranch, Autrey Burke "16" Lease Well No. 1 through perforations from 7,562' to 7,686' subsurface depth. The well potentialed at 119 BOPD, 100 MCFD and 3 BWPD flowing at 480 psi. 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 Autrey Burke "16" Lease Well No. 2 through perforations from 7,560' to 7,580' subsurface depth. The well potentialized at 70 BOPD, 33 MCFD and no water flowing at 490 psi. 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 Los Ybanez (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 Key West (Spraberry) Field approximately one-half mile south-southwest of the subject well. However, there are three "dry-hole" wells between the Key West (Spraberry) Field and the proposed field. The Key West (Spraberry) Field was discovered in 1982 and has been subject to secondary recovery operations through water-flooding since 1991. The field has produced over 1.47 MMBO. Currently there are 3 producing wells and 1 injection well.

It is proposed that the entire combined correlative interval from 7,118' to 7,700' subsurface depth as shown on the type log of the Fasken Oil and Ranch, LTD., Autrey Burke "16" Lease Well No. 1, (API No. 42-115-33159), Section 16, Blk 35, T & P RR Co. Survey, Dawson County, Texas should be recognized and designated as the Los Ybanez (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 22%, average water saturation is 26%, and the average net pay is 16 feet. The original reservoir pressure was 4,126 psig.¹

The Key West (Spraberry) Field rules provide for 80 acre and optional 40 acre density. The reservoir characteristics for the subject field are similar to the Key West (Spraberry) Field and the volumetric and drainage area analysis are comparable. Cumulative production from the subject field is 21,600 BO and 19.9 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.

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

¹ Bottomhole pressure based on post frac Horner Plot analysis of the Autrey Burke "16" Well No. 1.

3. The Los Ybanez (Spraberry) Field was discovered on June 16, 2006 by completion of the Fasken Oil & Ranch, Autrey Burke "16" Lease Well No. 1 through perforations from 7,562' to 7,686' 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 Los Ybanez (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 Key West (Spraberry) Field approximately one-half mile south-southwest of the subject well and there are "dry-hole" wells between the Key West (Spraberry) Field and the proposed field.
5. The entire combined correlative interval from 7,118' to 7,700' subsurface depth as shown on the type log of the Fasken Oil and Ranch, LTD., Autrey Burke "16" Lease Well No. 1, (API No. 42-115-33159), Section 16, Blk 35, T & P RR Co. Survey, Dawson County, Texas should be recognized and designated as the Los Ybanez (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 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.
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 Los Ybanez (Spraberry) Field.

Respectfully submitted,

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