

October 19, 2006

OIL AND GAS DOCKET NO. 04-0248919

APPLICATION OF FIDELITY EXPLORATION A& PROD. CO. TO AMEND THE FIELD RULES FOR THE TABASCO (CONSOLIDATED) FIELD, HIDALGO COUNTY, TEXAS

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

DATE OF HEARING: October 19, 2006

APPEARANCES:

Carey P. Holtzendorf

REPRESENTING:

Fidelity Exploration & Prod. Co.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

This is the unprotested application of Fidelity Explor. & Prod. Co. to amend Rule No. 3 of the field rules as adopted by Order No. 04-0245626, effective February 28, 2006, which rules currently provide for the following:

1. Designated interval from 4,710 feet to 11,250 feet as shown on the log of the A. Longoria GU 2 No. 1;
2. 330'-0' spacing;
3. 40 acre units with optional 20 acre units;
4. Allocation based 25% per well and 75% deliverability/potential.

Fidelity proposes that the requirement for the filing of certified plats and Form P-15 be eliminated. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The Tabasco (Consolidated) Field was the result of the combining of 43 fields. The field interval extends from 4,710 feet to 11,250 feet and encompasses numerous Frio and Vicksburg sands which are generally correlatable across several miles. The calculated drainage areas for wells range from 6 acres to 25 acres. The consolidation allows operators to complete all zones present in a single wellbore, thereby achieving production from some zones which would otherwise no longer be economic.

Special Field Rule No. 3 as adopted by Order No. 04-0245626, effective February 28, 2006, does provide for the following in part: "... Operators shall file with the Commission certified plats of their properties in said field, which plats shall set out distinctly all of those things pertinent to the determination of the acreage credit claimed for each well; provided that if the acreage assigned to

any proration unit has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled.”

The filing of certified proration unit plats and Commission Form P-15 Statement of Productivity of Acreage Assigned to Proration Units is not required pursuant to Statewide Rule 31(c)(1) which states in part “... *Requirements for gas wells in a field for which an allocation formula has been adopted. If acreage is a factor in the allocation formula, a certified plat showing the acreage assigned to the well for proration purposes shall be submitted. The plat must be accompanied by a statement that all of the acreage claimed can reasonably be considered productive...*”. The allocation formula (Rule 4) does not require acreage to be a factor in allowable determination. The allocation formula adopted for this field is based on 75% deliverability/potential and 25% per well. In addition, the allocation formula was suspended by Order No. 04-0245626.

Special field rules do preside over Statewide Rules. In the instant case the requirement for proration unit plats and certification are not necessary and should not be required. There is no between well spacing and acreage is not a representative factor in the reserves that a well can recover in a multiple horizon, lenticular field. Hydrocarbon reserve recovery is a function of encountering a lense and deliverability of that lense. This is a mature field area and is in the late stages of depletion to the point of being salvage.

FINDINGS OF FACT

1. Notice of this hearing was sent to all persons legally entitled to notice at least ten days prior to the date of hearing.
2. The Tabasco (Consolidated) Field was the result of the combining of 43 fields in February 2006. The field interval extends from 4,710 feet to 11,250 feet and encompasses numerous Frio and Vicksburg sands.
3. Special Field Rule No. 3 of the field rules for the Tabasco (Consolidated) Field as adopted by Order No. 04-0245626, effective February 28, 2006, provides for the filing of certified proration unit plats and Commission Form P-15 Statement of Productivity of Acreage Assigned to Proration Units.
4. The requirement for proration unit plats and certification are not necessary and should not be required.
 - a. There is no between well spacing and acreage is not a representative factor in the reserves that a well can recover in a multiple horizon, lenticular field.
 - b. Hydrocarbon reserve recovery is a function of encountering a lense and deliverability.
 - c. The allocation formula adopted for this field is based on 75% deliverability/potential

and 25% per well.

5. The filing of certified proration unit plats and Commission Form P-15 Statement of Productivity of Acreage Assigned to Proration Units is not required pursuant to Statewide Rule 31(c)(1).
 - a. The allocation formula (Special Field Rule No. 4) does not require acreage to be a factor in allowable determination.
 - b. The allocation formula was suspended by Order No. 04-0245626.

CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. The proposed amended Special Field Rule No. 3, will not cause waste and will not harm correlative rights.
4. Continued suspension of the allocation formula pursuant to Statewide Rule 31(j) is appropriate.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the amendment of Special Field Rule No. 3 for the Tabasco (Consolidated) Field.

Respectfully submitted,

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