

September 30, 2005

OIL AND GAS DOCKET NO. 8A-0244303

**APPLICATION OF FASKEN OIL AND RANCH, LTD. TO AMEND THE FIELD RULES
FOR THE BALE (SAN ANDRES 5500) FIELD, GAINES COUNTY, TEXAS**

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

DATE OF HEARING: September 29, 2005

APPEARANCES:

Jim Cowden, lawyer
Carl Brown (via telephone)

REPRESENTING:

Fasken Oil and Ranch, LTD.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Fasken Oil and Ranch to amend the field rules as adopted in Order No. 8A-56,804, effective November 1, 1966, as amended, for the Bale (San Andres 5500) Field that currently provide for the following:

1. Minimum well spacing of 467'/1200' (lease line/between well);
2. 80 acre proration units and 40 acre tolerance and a maximum diagonal of 3,250';
3. An allocation formula based on 100% acreage.

Fasken Oil and Ranch proposes the following:

1. Minimum well spacing of 330'/933';
2. 80 acre proration units and a maximum diagonal of 3,800'; and the addition of optional 40 acre proration units with 20 acre tolerance and a maximum diagonal of 2,100';
3. No change in the allocation formula

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Bale (San Andres 5500) Field was discovered in 1962 at 5,508' subsurface depth. The field is governed by special field rules as adopted by Order No. 8A-56,804, effective November 1, 1966, as amended. Fasken Oil and Ranch is the only operator in the field with two wells. Fasken drilled the discovery well, the E.H. Jones Est "D" Well No. 2 in December 1962. The well is completed through perforations from 5476' to 5559' subsurface depth and potentialized at 116 BOPD.

A total of five wells have produced from the reservoir (three wells have been plugged and two remain active). Current field production is 9 BOPD, 27 BWPD and gas to-small-to-measure. Basic reservoir parameters are: average porosity 7.5%, average water saturation 20% and a net effective pay of 36 feet. The reservoir covers 272 areal acres. Cumulative production from the field is 538,200 BO.

Optional Forty (40) acre density is necessary to provide for the efficient and effective depletion of the reservoir. The Robert J. Riley "377" lease has produced 244,000 BO and the estimated ultimate recovery is 255,400 BO which is 19.9% of the estimated original oil-in-place (OOIP).¹ The E.H. Jones Estate "D" lease has produced 244,500 BO and the estimated ultimate recovery is 270,500 BO which is 17.6% of the estimated OOIP.² The now plugged and abandoned Lynx Energy, Jones Estate Well No. 1 produced a total of 49,500 BO which represents 33.2% OOIP. At current conditions the anticipated ultimate recovery for the field is 575,000 BO which would represent 19.3% OOIP.

For comparison, a similar San Andres Field was studied, the Havemeyer (San Andres) Field located approximately one mile southwest of the Bales (San Andres 5500). The Havemeyer field rules were amended several years ago to 40 acres. Fasken is the operator of the wells in this study field. The ultimate recovery for this study field is 26%. It is estimated that an additional 185,000 BO potentially may be recovered from the subject field with optional 40 acre density. Additionally, the San Andres is a prime candidate for water flood operations. Assuming a 33% recovery from secondary recovery operations, potentially an additional 386,000 BO may be recovered.

The proposed minimum well spacing, 330'/933' (leaseline/between well) is necessary to allow flexibility in locating a well on 40 acre unit. The 100% acreage allocation formula will provide for the protection of correlative rights.

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.

¹ The lease has had two wells and the current producing Well No. 2 was completed in 1966.

² The lease has had two wells and the current producing Well No. 2 was completed in 1962.

2. There was no protest at the call of the hearing.
3. The Bale (San Andres 5500) Field was discovered in 1962 at 5,508' subsurface depth.
 - a. The field is governed by special field rules as adopted by Order No. 8A-56,804, effective November 1, 1966, as amended.
 - b. Fasken Oil and Ranch is the only operator in the field with two wells.
4. Optional Forty (40) acre density is necessary to provide for the efficient and effective depletion of the reservoir.
 - a. The Robert J. Riley "377" lease has produced 244,000 BO and the estimated ultimate recovery is 255,400 BO which is 19.9% of the estimated original oil-in-place (OOIP).
 - b. The E.H. Jones Estate "D" lease has produced 244,500 BO and the estimated ultimate recovery is 270,500 BO which is 17.6% of the estimated OOIP.
 - c. The now plugged and abandoned Lynx Energy, Jones Estate Well No. 1 produced a total of 49,500 BO which represents 33.2% OOIP.
 - d. At current conditions the anticipated ultimate recovery for the field is 575,000 BO which would represent 19.3% OOIP.
5. The ultimate recovery for the Havemeyer (San Andres) Field is 26% and it is estimated that an additional 185,000 BO potentially may be recovered from the subject field with optional 40 acre density.
6. The proposed minimum well spacing, 330'/933' (leaseline/between well) is necessary to allow flexibility in locating a well on a 40 acre unit.
7. Continuation of the 100% acreage allocation formula will provide for the protection of correlative rights.

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 for field rules, a determination of their effectiveness and appropriate actions

are a matter within the Commission jurisdiction.

4. Adoption of the proposed amended 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 amended field rules for the Bale (San Andres 5500) Field.

Respectfully submitted,

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