

April 17, 2007

OIL AND GAS DOCKET NO. 02-0251254

APPLICATION OF ARENA OFFSHORE, LLC FOR NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED MATAGORDA 560-L (MIOCENE CONS.) FIELD, CALHOUN COUNTY, TEXAS

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

DATE OF HEARING: April 11, 2007

APPEARANCES:

REPRESENTING:

John Camp. attorney
Tim Smith

Arena Offshore, LLC

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Arena Offshore, LLC for a new field designation and field rules for the proposed Matagorda 560-L (Miocene Cons.) Field which provide for:

1. The entire combined correlative interval from 6,810' to 7,430' TVD as shown on the Gamma Ray Resistivity Conductivity log of the Arena Offshore, LLC, Matagorda Island 560-L S/2 NW/4 Lease Well No. 1 (API No. 42-703-30421), Section G.O.M. State Tract 560-Survey, Calhoun County, Texas should be designated as the Matagorda 560-L (Miocene Cons.) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well.

The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The proposed Matagorda 560-L (Miocene Cons.) Field was discovered by completion of the Arena Offshore, Matagorda Island 560-L S/2 NW/4 Lease Well No. 1. The well is located in Matagorda Bay and is a directional well. Completion forms have not been filed pending the subject hearing. Longstring casing has been set to 8,020' MD (7,460" TVD).

The proposed Matagorda 560-L (Miocene Cons.) is a new field designation as it is the only well completed in the fault block. Location of the well was determined using seismic surveys and is located against a major SW-NE fault. It is surrounded by lesser minor faults. The closest well completed in the same correlative interval is approximately 2,000' southwest of the subject well but at a shallower depth (6680' to 6724').

The entire combined correlative interval from 6,810' to 7,430' TVD as shown on the Gamma Ray Resistivity Conductivity log of the Arena Offshore, LLC, Matagorda Island 560-L S/2 NW/4 Lease Well No. 1 (API No. 42-703-30421), Section G.O.M. State Tract 560-Survey, Calhoun County, Texas should be designated as the Matagorda 560-L (Miocene Cons.) Field. There are five Miocene sand "packages" known as the 7100' Sand, 7300' Sand, 7400' Sand and 7600' Sand and 7700' Sand. Arena has perforated the upper three sands and tested same. Because of the expense of offshore/bay re-completions, Arena seeks approval of the application before proceeding with the entire re-completion. The cost for a single re-completion is estimated at \$273M. It is estimated that an additional 763 MMCF of gas will be recovered from the five zones as a single-commingled completion.

Because the proposed new field is combining multiple productive zones, a two-factor allocation formula is necessary for the protection of correlative rights pursuant to State Statutes. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

FINDINGS OF FACT

1. Notice of this hearing was sent to all affected persons in the subject field area at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The proposed Matagorda 560-L (Miocene Cons.) Field was discovered by completion of the Arena Offshore, Matagorda Island 560-L S/2 NW/4 Lease Well No. 1.
 - a. Longstring casing has been set to 8,020' MD (7,460' TVD).
4. The proposed Matagorda 560-L (Miocene Cons.) is a new field designation as it is the only well completed in the fault block.
 - a. Location of the well was determined using seismic surveys and is located against a major SW-NE fault and is surrounded by lesser minor faults.
 - b. The closest well completed in the same correlative interval is approximately 2,000' southwest of the subject well but at a shallower depth (6680' to 6724').
5. The entire combined correlative interval from 6,810' to 7,430' TVD as shown on the Gamma Ray Resistivity Conductivity log of the Arena Offshore, LLC, Matagorda Island 560-L S/2 NW/4 Lease Well No. 1 (API No. 42-703-30421), Section G.O.M. State Tract 560-Survey, Calhoun County, Texas should be designated as the Matagorda 560-L (Miocene Cons.) Field.
6. Because the proposed new field is combining multiple productive zones, a two-factor

allocation formula is necessary for the protection of correlative rights pursuant to State Statutes.

- a. The proposed two-factor allocation formula based on 95% deliverability and 5% per well satisfies this requirement.

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. Adoption of the proposed new field designation and 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 Matagorda 560-L (Miocene Cons.) Field.

Respectfully submitted,

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