

September 16, 2005

OIL AND GAS DOCKET NO. 04-0244006

APPLICATION OF ABACO OPERATING, L.L.C. TO CONSIDER A NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED BALL RANCH (VICKSBURG 7) FIELD AND AN EXCEPTION TO STATEWIDE RULE 10 FOR THE CLARK-SAIN LEASE WELL NO. 12, KENEDY COUNTY, TEXAS

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

DATE OF HEARING: September 8, 2005

APPEARANCES:

REPRESENTING:

Doug Dashiell, attorney
Terry D. Payne
David M. Klatt

Abaco Operating, L.L.C.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Abaco Operating for a new field designation and field rules for the proposed Ball Ranch (Vicksburg 7) Field which provide for:

1. The entire combined correlative interval from 14,970' to 15,290' as shown on the Array Induction Log of the Abaco Operating, L.L.C., Clark-Sain Lease Well No. 12 (API No. 42-261-31381), Section 137, T.M.R.R. Co. Survey, Kenedy County, Texas should be designated as the Ball Ranch (Vicksburg 7) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well.

It is further proposed that a Rule 10 downhole commingling exception be granted to the Clark-Sain Well No. 12 for the proposed Ball Ranch (Vicksburg 7) Field and the Ball Ranch (Vicksburg 12,500), Ball Ranch (Vicksburg 4), and Ball Ranch (Vicksburg 5) Fields. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The proposed Ball Ranch (Vicksburg 7) Field was discovered on May 3, 2005 by completion of the Abaco Operating, L.L.C., Clark-Sain Lease Well No. 12 through three sets of perforations

from 14,984' to 15,013' subsurface depth. The well potentialed at a rate of 846 MCFD and an absolute open flow potential of 893 MCFD after fracture stimulation. The calculated bottomhole pressure was 12,238 psig.

The proposed Ball Ranch (Vicksburg 7) Field is a new field designation as there are no other wells with comparable production to the subject well from the same stratigraphic member within 2.5 miles of the subject well. The next lowest perforated well in the area has perforations from 14,601' to 14,621' subsurface depth which is some 350' above the interval open in the subject well. Cross section well log analysis of three other wells (each the discovery well for the Ball Ranch (Vicksburg 12,500), Ball Ranch (Vicksburg 4), and Ball Ranch (Vicksburg 5) Fields) show the Vicksburg 7 to be present but not productive. The entire combined correlative interval from 14,970' to 15,290' as shown on the Array Induction Log of the Abaco Operating, L.L.C., Clark-Sain Lease Well No. 12 (API No. 42-261-31381), Section 137, T.M.R.R. Co. Survey, Kenedy County, Texas should be designated as the Ball Ranch (Vicksburg 7) Field.

The producing zone is a Vicksburg Formation sand sequence member which is geo-pressured and very tight (low permeability). Formation fracture stimulation is required to establish production. As can be seen the producing rate even after fracture stimulation is very poor. Numerous wells have had to be downhole commingled or fields consolidated so more zones could be opened to establish commercial production. The intervals include the Vicksburg 12,500; 2; 4; and 5 reservoirs. The Clark-Sain Well No. 12 was perforated in the Vicksburg 12,500 from 12,880'-12,972'; Vicksburg 4 from 13,350'-13,484'; Vicksburg 5 from 14,192'-14,256'. Each perforated interval was individually fracture stimulated. The well re-potentialed with all four reservoirs at a highest flow rate of 14,367 MCFD and a calculated absolute open flow of 21,471 MCFD. The subject well should be placed in the proposed Ball Ranch (Vicksburg 7) field for proration purposes.

Downhole commingling will result in the recovery of reserves that otherwise would go unrecovered. It is estimated that an additional 180 MMCF of gas will be recovered by downhole commingling the subject well. Gas analysis shows that the all the Vicksburg intervals have gas of similar properties. Numerous other wells in the field area have been successfully downhole commingled. The subject well is a regular location in both fields. If downhole commingling is approved, the subject well should be placed in the proposed Ball Ranch (Vicksburg 7) Field for proration purposes.

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 area field at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The proposed Ball Ranch (Vicksburg 7) Field was discovered on May 3, 2005 by completion of the Abaco Operating, L.L.C., Clark-Sain Lease Well No. 12 through three sets of perforations from 14,984' to 15,013' subsurface depth.
4. The proposed Ball Ranch (Vicksburg 7) Field is a new field designation as there are no other wells with comparable production to the subject well from the same stratigraphic member within 2.5 miles of the subject well.
5. The entire combined correlative interval from 14,970' to 15,290' as shown on the Array Induction Log of the Abaco Operating, L.L.C., Clark-Sain Lease Well No. 12 (API No. 42-261-31381), Section 137, T.M.R.R. Co. Survey, Kenedy County, Texas should be designated as the Ball Ranch (Vicksburg 7) 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.
7. Downhole commingling will result in the recovery of reserves that otherwise would go unrecovered.
 - a. It is estimated that an additional 180 MMCF of gas will be recovered by downhole commingling the subject well.
8. Gas analysis shows that the all the Vicksburg intervals have gas of similar properties.
9. Numerous other wells in the field area have been successfully downhole commingled.
10. The subject well is a regular location in all fields.
11. If downhole commingling is approved, the subject well should be placed in the Ball Ranch (Vicksburg 7) Field for proration purposes.

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.
4. Consideration of approval of this application for exception to Statewide Rule 10 is a matter properly within the statutory jurisdiction of the Commission to foster conservation and prevent waste.
5. Approval of the request of Abaco Operating to downhole commingle its Clark-Sain Lease Well No. 12 for the proposed Ball Ranch (Vicksburg 7) Field and the Ball Ranch (Vicksburg 12,500), Ball Ranch (Vicksburg 4), and Ball Ranch (Vicksburg 5) Field 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 Ball Ranch (Vicksburg 7) Field. Further it is recommended that the application of Abaco Operating to downhole commingle its Clark-Sain Lease Well No. 12 for the proposed Ball Ranch (Vicksburg 7) Field and the Ball Ranch (Vicksburg 12,500), Ball Ranch (Vicksburg 4), and Ball Ranch (Vicksburg 5) Fields be approved.

Respectfully submitted,

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