

February 9, 2007

OIL AND GAS DOCKET NO. 04-0250222

APPLICATION OF VIRTEX PETROLEUM COMPANY, INC. TO CONSOLIDATE THE LAS TIENDAS (OLMOS MIDDLE) FIELD INTO THE LAS TIENDAS (OLMOS) FIELD, WEBB COUNTY, TEXAS

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

DATE OF HEARING: February 9, 2007

APPEARANCES:

Glenn George

REPRESENTING:

Virtex Petroleum Company, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unopposed application of Virtex Petroleum Company, Inc. for the Commission to consider consolidating the Las Tiendas (Olmos Middle) Field into Las Tiendas (Olmos) Field. It is proposed that the existing special field rules for the Las Tiendas (Olmos) Field remain unchanged. The examiner also will restate Rule No. 3 as adopted by Order No. 04-0244588, effective January 10, 2006, because of a typographical error. The examiner recommends approval of the application.

DISCUSSION OF THE EVIDENCE

The Las Tiendas (Olmos) Field was discovered in 1974 at 6,668' subsurface depth. The current field rules provide for a designated interval from 6,675' to 6,877'; minimum well spacing of 467'/933'; 320 acre and optional 40 acre density and a 100% deliverability allocation formula. The allocation formula has been suspended since 1996. The field is classified as Associated. There are over 200 wells in the field. By Commission Order 04-0244588, effective January 10, 2006, eight other Olmos fields were consolidated into the Las Tiendas (Olmos) Field.

The Las Tiendas (Olmos Middle) Field was discovered January 16, 2006, at 6,628' subsurface depth. The field is governed pursuant to Statewide Rules. Virtex Petroleum is the only operator in the field with 3 wells.

Consolidation of the fields will provide for the orderly development of the fields and the efficient and effective depletion of the reservoirs. The Las Tiendas (Olmos Middle) Field is surrounded by the other fields that were consolidated into the Las Tiendas (Olmos) Field. It is appropriate that the fields be governed by identical field rules and treated as a common reservoir for proration purposes.

There is 100% market for all the gas produced from the subject field and the allocation formula should remain suspended as the allocation formula is currently suspended.

FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject fields at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Las Tiendas (Olmos) Field was discovered in 1974 at 6,668' subsurface depth.
 - a. The current field rules provide for a designated interval from 6,675' to 6,877'; minimum well spacing of 467'/933'; 320 acre and optional 40 acre density and a 100% deliverability allocation formula.
 - b. By Commission Order 04-0244588, effective January 10, 2006, eight other Olmos fields were consolidated into the Las Tiendas (Olmos) Field.
 - c. The field is classified as Associated and there are over 200 wells in the field.
4. The Las Tiendas (Olmos Middle) Field was discovered January 16, 2006, at 6,628' subsurface depth.
 - a. The field is governed pursuant to Statewide Rules.
 - b. Virtex Petroleum is the only operator in the field with 3 wells.
5. Consolidation of the fields will provide for the orderly development of the fields and the efficient and effective depletion of the reservoirs.
 - a. The Las Tiendas (Olmos Middle) Field is surrounded by the other fields that were consolidated into the Las Tiendas (Olmos) Field.
 - b. It is appropriate that the fields be governed by identical field rules and treated as a common reservoir for proration purposes.
6. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

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 consolidation of fields are a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields will prevent waste, foster conservation and protect correlative rights.
5. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed consolidation of the Las Tiendas (Olmos Middle) Field into Las Tiendas (Olmos) Field.

Respectfully submitted,

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