RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

September 7, 2006

OIL AND GAS DOCKET NO. 04-0248207

APPLICATION OF DECKER OPERATING CO., L.L.C. TO CONSOLIDATE VARIOUS CHAPMAN RANCH FIELDS INTO THE PROPOSED CHAPMAN RANCH (MIOCENE CONS.) FIELD AND ADOPT RULES FOR THE CHAPMAN RANCH (MIOCENE CONS.) FIELD, NUECES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 04-0248206

APPLICATION OF DECKER OPERATING CO., L.L.C. TO CONSOLIDATE VARIOUS CHAPMAN RANCH FIELDS INTO THE PROPOSED CHAPMAN RANCH (CATAHOULA CONS.) FIELD AND ADOPT RULES FOR THE CHAPMAN RANCH (CATAHOULA CONS.) FIELD, NUECES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 04-0248208

APPLICATION OF DECKER OPERATING CO., L.L.C. TO CONSOLIDATE VARIOUS CHAPMAN RANCH FIELDS INTO THE PROPOSED CHAPMAN RANCH (UPPER FRIO CONS.) FIELD AND ADOPT RULES FOR THE CHAPMAN RANCH (UPPER FRIO CONS.) FIELD, NUECES COUNTY, TEXAS

OIL AND GAS DOCKET NO. 04-0248209

APPLICATION OF DECKER OPERATING CO., L.L.C. TO CONSOLIDATE VARIOUS CHAPMAN RANCH FIELDS INTO THE PROPOSED CHAPMAN RANCH (MID. FRIO CONS.) FIELD AND ADOPT RULES FOR THE CHAPMAN RANCH (MID. FRIO CONS.) FIELD, NUECES COUNTY, TEXAS

HEARD BY: Thomas H. Richter, P.E.
DATE OF HEARING: September 1, 2006

APPEARANCES:	**REPRESENTING:**
George C. Neale, attorney	Decker Operating Co., L.L.C.
Steve Hill	
Bob Tierney	

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Decker Operating Co., L.L.C. for the Commission to consider consolidating over 130 Chapman Ranch Fields (see Attachment "A") into four new fields that are divided similar geological formations i.e. Miocene, Catahoula, Upper Frio and Middle Frio. The following rules are proposed:

1. The entire correlative interval from 2,300' to 4,130' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64 , API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Miocene Cons.) Field.

   The entire correlative interval from 4,130' to 5,020' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64 , API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Catahoula Cons.) Field.

   The entire correlative interval from 5,020' to 7,250' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64 , API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Upper Frio Cons.) Field.

   The entire correlative interval from 7,040' to 9,670' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 27 , API No. 42-355-06406, Sect 38, Ramon De Ynojosa "El Rincon De Corpus Christi Survey, Nueces County, Texas should be designated as the Chapman Ranch (Mid. Frio Cons.) Field.

2. Minimum well spacing of 330'/0' (lease line/between well);

3. Statewide Rule density.

4. An allocation formula based on 95% deliverability and 5% per well for gas wells and 75% W-10 potential and 25% per well for oil wells. It is proposed that the allocation formula for gas wells be suspended. Any gas field in which oil wells is/are

completed should be classified as Associated-Prorated and not subject to 49-B limited allowables.

The notice of hearing had stated a proposed density of 40 acre base gas units plus 10% tolerance and 40 acre base oil units with 10 acre tolerance and a maximum diagonal of 2,100' for both. Decker proposed at the hearing that proration unit designation (Form P-15) with plats was not intended and therefore Statewide Rules with 40 acre drilling units only be considered. Because proration unit designation was withdrawn, the proposed oil well allocation formula of 75% W-10 potential and 25% *acreage* not appropriate and was amended to 25% *per well*. The application originallyrequested and notice was issued as "Chapman Ranch (Middle Frio Cons.) Field", however, the proposed field named contained more than 32 characters (the maximum allowed by the Commission data field entry). The proposed field name was shortened to "Chapman Ranch (Mid. Frio Cons.) Field" with the applicant's consent. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The proposed Chapman Ranch (Miocene Cons.) Field will be created from the consolidation of 27 "Miocene" age fields (23 gas and 4 oil). The first of the fields was discovered in 1952. Many of the fields have no wells and there are only two operators. All the fields operate pursuant to Statewide Rules. The entire correlative interval from 2,300' to 4,130' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64, API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Miocene Cons.) Field.

The proposed Chapman Ranch (Catahoula Cons.) Field will be created from the consolidation of 24 "Catahoula" age fields (11 gas and 14 oil). The first of the fields was discovered in 1953. There are no wells in the gas fields. Many of the fields have no wells and there are only two operators. All the fields operate pursuant to Statewide Rules. The entire correlative interval from 4,130' to 5,020' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64 , API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Catahoula Cons.) Field.

The proposed Chapman Ranch (Upper Frio Cons.) Field will be created from the consolidation of 50 "Upper Frio" age fields (11 gas and 43 oil). The first of the fields was discovered in 1942. Many of the fields have no wells and there are only four operators. All the fields operate pursuant to Statewide Rules. The entire correlative interval from 5,020' to 7,250' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64 , API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Upper Frio Cons.) Field.

The proposed Chapman Ranch (Mid. Frio Cons.) Field will be created from the consolidation of 15 "Middle Frio" age fields (6 gas and 11 oil). There are no oil wells. The first of the fields was

discovered in 1974. Many of the fields have no wells and there are only three operators. All the fields operate pursuant to Statewide Rules. The entire correlative interval from 7,040' to 9,670' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 27, API No. 42-355-06406, Sect 38, Ramon De Ynojosa "El Rincon De Corpus Christi" Survey, Nueces County, Texas should be designated as the Chapman Ranch (Mid. Frio Cons.) Field.

Consolidation of the subject fields will provide for the orderly development of the reservoirs. The reservoirs are stacked Miocene, Catahoula, Upper Frio or Middle Frio Sands separated by thin shale barriers. The sands are lenticular and discontinuous across the area and from well to well. This is a mature field development area and for the efficient and effective depletion of each of the separate reservoirs it is necessary to take advantage of multiple reservoir downhole commingling which in effect lowers the economic producing limit of each. Because of the age of the fields and the numerous operators who have drilled and completed wells over time, many of the designated reservoirs are duplications and thus difficulties arise in ascertaining proper field designation.

The proposed minium well spacing of 330'/0' (lease line/ between well) is necessary in order to encounter the erratic nature of the many sand lenses through well re-completions.

The proposed 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% deliverabilityand 5% per well for gas wells and 75% W-10 potential and 25% per well for oil wells is appropriate. It is proposed that the allocation formula be suspended for gas wells. Any gas field in which oil wells are completed should be classified as Associated-Prorated and not subject to 49-B limited allowables.

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 proposed Chapman Ranch (Miocene Cons.) Field will be created from the consolidation of 27 "Miocene" age fields (23 gas and 4 oil).

    a. The first of the fields was discovered in 1952 and operate pursuant to Statewide Rules.

    b. The entire correlative interval from 2,300' to 4,130' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64, API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Miocene Cons.) Field.

4. The proposed Chapman Ranch (Catahoula Cons.) Field will be created from the consolidation of 24 "Catahoula" age fields (11 gas and 14 oil).

   a. The first of the fields was discovered in 1953and operate pursuant to Statewide Rules.

   b. The entire correlative interval from 4,130' to 5,020' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64 , API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Catahoula Cons.) Field.

5. The proposed Chapman Ranch (Upper Frio Cons.) Field will be created from the consolidation of 50 "Upper Frio" age fields (11 gas and 43 oil).

   a. The first of the fields was discovered in 1942 and operate pursuant to Statewide Rules.

   b. The entire correlative interval from 5,020' to 7,250' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 64 , API No. 42-355-30450, Sect 46, Ramon De Ynojosa/Laureles Farm Tracts Survey, A-411, Nueces County, Texas should be designated as the Chapman Ranch (Upper Frio Cons.) Field.

6. The proposed Chapman Ranch (Mid. Frio Cons.) Field will be created from the consolidation of 15 "Middle Frio" age fields (6 gas and 11 oil).

   a. The first of the fields was discovered in 1974 and operate pursuant to Statewide Rules.

   b. The entire correlative interval from 7,040' to 9,670' as shown on the ISF/Sonic log of the Texaco Inc., J.O. Chapman Lease Well No. 27 , API No. 42-355-06406, Sect 38, Ramon De Ynojosa "El Rincon De Corpus Christi Survey, Nueces County, Texas should be designated as the Chapman Ranch (Mid. Frio Cons.) Field.

7. Consolidation of the subject fields will provide for the orderly development of the reservoirs.

   a. The reservoirs are stacked Miocene, Catahoula, Upper Frio or Middle Frio Sands separated by thin shale barriers that are lenticular and discontinuous across the area and from well to well.

   b. This is a mature field development area and for the efficient and effective depletion of each of the separate reservoirs it is necessary to take advantage of multiple reservoir downhole commingling which in effect lowers the economic producing

limit of each.

8. The proposed minium well spacing of 330'/0' (lease line/ between well) is necessary in order to encounter the erratic nature of the many sand lenses through well re-completions.

9. The proposed 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 for gas wells and 75% W-10 potential and 25% per well for oil wells is appropriate.

10. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.

11. Any gas field in which oil wells are completed should be classified as Associated-Prorated and not subject to 49-B limited allowables.

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 and the proposed field rules are a matter within the Commission jurisdiction.

4. Adoption of the proposed consolidation of fields and field rules 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 130 Chapman Ranch Fields into a four new fields that are divided formations i.e. Miocene, Catahoula, Upper Frio and Middle Frio be granted.

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

ATTACHMENT "A"

Oil & Gas Docket No. 04-0248207
Proposed Chapman Ranch (Miocene Cons.) Field

Field Name	Field Number
Chapman Ranch (2450) Field	17075 398
Chapman Ranch (Q-32) Field	17075 392
Chapman Ranch (2700) Field	17075 407
Chapman Ranch (2850) Field	17075 410
Chapman Ranch (2950) Field	17075 413
Chapman Ranch (2980) Field	17075 415
Chapman Ranch (3100) Field	17075 418
Chapman Ranch (3230) Field	17075 429
Chapman Ranch (3450) Field	17075 449
Chapman Ranch (3500) Field	17075 456
Chapman Ranch (3500-A) Field	17075 457
Chapman Ranch (L-20) Field	17075 228
Chapman Ranch (L-20-2) Field	17075 266
Chapman Ranch (L-20-3) Field	17075 276
Chapman Ranch (L-21, Middle) Field	17075 286
Chapman Ranch (L-22) Field	17075 303
Chapman Ranch (L-23) Field	17075 304
Chapman Ranch (L-24) Field	17075 342
Chapman Ranch (L-30) Field	17075 350
Chapman Ranch (L-43) Field	17075 360
Chapman Ranch (3600) Field	17075 469
Chapman Ranch (3800) Field	17075 494
Chapman Ranch (O-12) Field	17075 380
Chapman Ranch (O-18) Field	17075 375
Chapman Ranch (3570) Field	17075464
Chapman Ranch (3700) Field	17075480
Chapman Ranch (O-14) Field	17075381

Oil & Gas Docket No. 04-0248206
Proposed Chapman Ranch (Catahoula Cons.) Field

Field Name	Field Number
Chapman Ranch (4200) Field	17075 532
Chapman Ranch (C-3) Field	17075 038
Chapman Ranch (C-5, N.) Field	17075 078
Chapman Ranch (C-8) Field	17075 114
Chapman Ranch (C-19) Field	17075 159
Chapman Ranch (C-16) Field	17075 152
Chapman Ranch (4500) Field	17075 570
Chapman Ranch (C-18, South) Field	17075 156
Chapman Ranch (4950, South) Field	17075 645
Chapman Ranch (Catahoula, MSV, E) Field	17075 026
Chapman Ranch (4740) Field	17075 630
Chapman Ranch (4870) Field	17075 642
Chapman Ranch (C-5) Field	17075076
Chapman Ranch (C-18) Field	17075154
Chapman Ranch (C-10) Field	17075116
Chapman Ranch (C-15) Field	17075145
Chapman Ranch (Catahoula, Mass.) Field	17075023
Chapman Ranch (C-22) Field	17075163
Chapman Ranch (A-1) Field	17075007
Chapman Ranch (4600 Owen) Field	17075608
Chapman Ranch (4620) Field	17075625
Chapman Ranch (4780) Field	17075646
Chapman Ranch (Catahoula, Mass-C) Field	17075025
Chapman Ranch (Catahoula, Mass-D) Field	17075024

Oil & Gas Docket No. 04-0248208
Proposed Chapman Ranch (Upper Frio Cons.) Field

Field Name	Field Number
Chapman Ranch (5600) Field	17075 667
Chapman Ranch (5750) Field	17075 675
Chapman Ranch (5900) Field	17075 684
Chapman Ranch (6200) Field	17075 740
Chapman Ranch (Brigham A) Field	17075 015
Chapman Ranch (6600) Field	17075 807
Chapman Ranch (6700) Field	17075 836
Chapman Ranch (7000) Field	17075 918
Chapman Ranch (Greta A, Up.) Field	17075 189
Chapman Ranch (Greta) Field	17075 185
Chapman Ranch (Greta, Upper) Field	17075 187
Chapman Ranch (4900) Field	17075664
Chapman Ranch (4950) Field	17075647
Chapman Ranch (5100) Field	17075650
Chapman Ranch (5070) Field	17075648
Chapman Ranch (5170) Field	17075656
Chapman Ranch (Anahuac 5050) Field	17075009
Chapman Ranch (F-1) Field	17075170
Chapman Ranch (5050) Field	17075649
Chapman Ranch (5400) Field	17075664
Chapman Ranch (5700, North) Field	17075672
Chapman Ranch (5800, North) Field	17075679
Chapman Ranch (5700) Field	17075673
Chapman Ranch (5700-A) Field	17075674
Chapman Ranch (5800) Field	17075677
Chapman Ranch (5935) Field	17075688
Chapman Ranch (6100) Field	17075716
Chapman Ranch (6160) Field	17075722
Chapman Ranch (6500, North) Field	17075793
Chapman Ranch (6230) Field	17075760
Chapman Ranch (6260) Field	17075766
Chapman Ranch (Brigham) Field	17075013
Chapman Ranch (6400) Field	17075780
Chapman Ranch (Brigham Stringer) Field	17075019
Chapman Ranch (6500) Field	17075791
Chapman Ranch (6540) Field	17075798
Chapman Ranch (6660) Field	17075810

Chapman Ranch (6770) Field	17075874
Chapman Ranch (6800) Field	17075882
Chapman Ranch (6800-A) Field	17075883
Chapman Ranch (6800-B) Field	17075885
Chapman Ranch (6850) Field	17075890
Chapman Ranch (6880) Field	17075903
Chapman Ranch (6900) Field	17075912
Chapman Ranch (F-31) Field	17075180
Chapman Ranch (F-43) Field	17075183
Chapman Ranch (F-55) Field	17075182
Chapman Ranch (F-57) Field	17075184
Chapman Ranch (First Het) Field	17075165
Chapman Ranch (Fourth Het) Field	17075166

Oil & Gas Docket No. 04-0248209
Proposed Chapman Ranch (Mid. Frio Cons.) Field

Field Name	Field Number
Chapman Ranch (7130) Field	17075 920
Chapman Ranch (7400) Field	17075 925
Chapman Ranch (A) Field	17075 004
Chapman Ranch (8150) Field	17075 931
Chapman Ranch (8400) Field	17075 933
Chapman Ranch (8600) Field	17075 935
Chapman Ranch (Heep No. 4) Field	17075190
Chapman Ranch (Heep No. 5) Field	17075200
Chapman Ranch (7200) Field	17075922
Chapman Ranch (7300) Field	17075923
Chapman Ranch (7350) Field	17075924
Chapman Ranch (O'Brien, Upper) Field	17075384
Chapman Ranch (O'Brien) Field	17075382
Chapman Ranch (7700) Field	17075929
Chapman Ranch (O'Conner) Field	17075385