



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 04-0261569

THE APPLICATION OF CHEVRON U.S.A. INC. TO AMEND THE FIELD RULES FOR THE CISCO-BENAVIDES (LOBO CONS.) FIELD, WEBB AND ZAPATA COUNTIES, TEXAS

HEARD BY: Richard D. Atkins, P.E. - Technical Examiner

HEARING DATE: May 27, 2009

APPEARANCES:

REPRESENTING:

Brian R. Sullivan
Greg Mathews
Lawrence Tedesco
Asha Ramgulam
Arpita Mukhopadhyay

Chevron U.S.A. Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Cisco-Benavides (Lobo Cons.) Field were originally adopted in Final Order No. 04-0221757, effective June 29, 1999. The rules currently in effect for the field are summarized as follows:

1. Designation of the field as the entire Lobo Series from the top of the Lobo Unconformity to the top of the Midway Shale, which is the base of the Lobo 6 Sand;
2. 467'-1,200' well spacing;
3. Allocation based on 90% deliverability and 10% per well with AOF status.

Chevron U.S.A. Inc. ("Chevron") requests that the Field Rules be amended to provide for 467'-0' well spacing and annual G-10 testing. This application was unprotected and the examiner recommends that the Field Rules for the Cisco-Benavides (Lobo Cons.) Field be amended as proposed by Chevron.

DISCUSSION OF THE EVIDENCE

The Cisco-Benavides (Lobo Cons.) Field was formed in June 1999 as a result of the consolidation of several fields. The Lobo Sands are members of the Lower Wilcox Formation and occur at an average depth of approximately 7,200 feet. The field is classified as non-associated with AOF status and there are 213 wells listed on the gas proration schedule. The original reservoir pressure is 6,300 psi and the original reservoir temperature is 265 °F. Cumulative production from the field through March 2009 is 198.2 BCFG and 35.6 MBC.

The Lobo Trend, as it is called, extends across Webb and Zapata Counties from southwest to northeast. The productive Lobo Sands are comprised of three main members locally known as the Lobo 1, 3 and 6 sands. The Lobo Series in this area is complexly faulted, resulting in numerous separate reservoirs. The field is geo-pressured and the primary drive mechanism is pressure depletion. Chevron submitted a 3-D cross-section and structure map with depth contours showing that pay thicknesses vary significantly due to some sands being faulted out. In addition, reservoir size is often limited by the presence of faulting. On this basis, Chevron requests that the between-well spacing rule be eliminated.

Chevron submitted drainage calculations for 27 wells on various leases that it operates in the field. For these wells, net pay ranges from 13 feet up to 118 feet and estimated ultimate recoveries range from 195 MMCFG up to 10.7 BCFG. The calculated drainage areas range from 2 acres up to 140 acres, with an average of 52 acres for the 27 wells studied. These calculations indicate that 40 acre density is appropriate for the Cisco-Benavides (Lobo Cons.) Field.

Additionally, Chevron requests that G-10 tests be required on an annual basis instead of semi-annually, as required by Rule 28. Chevron believes that annual tests will be reflective of deliverability for a 12 month period because wells generally exhibit very little decline and many wells produce less than 100 MCFGPD.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Cisco-Benavides (Lobo Cons.) Field was formed in July 1999 as a result of the consolidation of several fields. The field is classified as non-associated with AOF status and there are 213 wells listed on the gas proration schedule.
3. Field rules for the Cisco-Benavides (Lobo Cons.) Field provide for 467'-1,200' well spacing, 40 acre gas units and allocation based on 90% deliverability and 10% per well with AOF status.

4. Drainage area calculations indicate that 40 acre density is appropriate for the Cisco-Benavides (Lobo Cons.) Field.
 - a. For 27 wells studied, net pay ranges from 13 feet up to 118 feet and estimated ultimate recoveries range from 195 MMCFG up to 10.7 BCFG.
 - b. For 27 wells studied, the calculated drainage areas range from 2 acres up to 140 acres, with an average of 52 acres.
5. The Lobo Series is complexly faulted and reservoir size is often limited by the presence of faulting. Minimum well spacing of 467 feet from lease lines and no between-well spacing limitation is necessary to provide flexibility in developing the field.
6. Annual G-10 wells tests for wells in the Cisco-Benavides (Lobo Cons.) Field will provide adequate information about well performance because wells generally exhibit very little decline and many wells produce less than 100 MCFD.

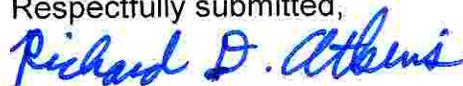
CONCLUSIONS OF LAW

1. Proper notice of this hearing was given to all persons legally entitled to notice.
2. All things have occurred or been accomplished to give the Railroad Commission jurisdiction in this matter.
3. Amending the Field Rules for the Cisco-Benavides (Lobo Cons.) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Field Rules for the Cisco-Benavides (Lobo Cons.) Field be amended, as proposed by Chevron.

Respectfully submitted,



Richard D. Atkins, P.E.
Technical Examiner