

November 7, 2005

**OIL AND GAS DOCKET NO. 04-0244579**

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**APPLICATION OF KERR-MCGEE ONSHORE LLC TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE PROPOSED ALTO BONITO (YEGUA) FIELD, STARR COUNTY, TEXAS**

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

**DATE OF HEARING:** November 3, 2005

**APPEARANCES:**

**REPRESENTING:**

Dale E. Miller

Kerr-McGee Onshore LLC

**EXAMINER'S REPORT AND RECOMMENDATION**  
**STATEMENT OF THE CASE**

This is the unprotested application of Kerr-McGee Onshore LLC for a new field designation and field rules for the proposed Alto Bonito (Yegua) Field which provide for:

1. The entire combined correlative interval from 6,360' to 6,604' as shown on the HRI/HDIL Spectral Density Dual Spaced Neutron log of the Kerr-McGee Oil & Gas Onshore, Frost National Bank -B- Lease Well No. 36 (API No. 42-427-33835), Por. 96, Ygnacio Trevino Survey, A-273, Starr County, Texas should be designated as the Alto Bonito (Yegua) Field.
2. A two-factor allocation formula based on 95% deliverability and 5% per well.

The examiner recommends approval of the proposed application.

**DISCUSSION OF THE EVIDENCE**

The proposed Alto Bonito (Yegua) Field was discovered on July 12, 2005, by completion of the Kerr-McGee Oil & Gas Onshore, Frost National Bank -B- Lease Well No. 36 through selective perforations from 6,370' to 6,554' subsurface depth. The well potential at 4,991 MCFD. The measured bottomhole pressure was 3,870 psia.

The proposed Alto Bonito (Yegua) Field is a new field designation as there is no comparable

Yegua production within 2.5 miles from the subject well. The closest Yegua production is the La Gruella Field some 8 miles to the southeast. The nearest producing wells are completed in the Frio Formation at 3,400' to 3,700' subsurface depth. It is proposed that the entire combined correlative interval from 6,360' to 6,604' as shown on the HRI/HDIL Spectral Density Dual Spaced Neutron log of the Kerr-McGee Oil & Gas Onshore, Frost National Bank -B- Lease Well No. 36 (API No. 42-427-33835), Por. 96, Ygnacio Trevino Survey, A-273, Starr County, Texas should be designated as the Alto Bonito (Yegua) Field.

Cumulative production for the well is 153,602 MCF in three months. By producing both intervals simultaneously, an estimated 57,000 MCF of gas may be recovered because of lowering the economic limit of each zone.

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 Alto Bonito (Yegua) Field was discovered on July 12, 2005, by completion of the Kerr-McGee Oil & Gas Onshore, Frost National Bank -B- Lease Well No. 36 through selective perforations from 6,370' to 6,554' subsurface depth.
4. The proposed Alto Bonito (Yegua) Field is a new field designation as there is no comparable Yegua production within 2.5 miles from the subject well.
5. The entire combined correlative interval from 6,360' to 6,604' as shown on the HRI/HDIL Spectral Density Dual Spaced Neutron log of the Kerr-McGee Oil & Gas Onshore, Frost National Bank -B- Lease Well No. 36 (API No. 42-427-33835), Por. 96, Ygnacio Trevino Survey, A-273, Starr County, Texas should be designated as the Alto Bonito (Yegua) 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 Alto Bonito (Yegua) Field.

Respectfully submitted,

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