

**THE APPLICATION OF ROYAL PRODUCTION COMPANY, INC. TO CONSIDER NEW FIELD DESIGNATION AND FIELD RULES FOR THE (PROPOSED) MU BLOCK 898 (6000 STRINGER) FIELD, NUECES COUNTY, TEXAS**

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**Heard by:** Thomas H. Richter on October 12, 2006

**Appearances:**

Kerry Pollard

**Representing:**

Royal Production Company, Inc.

**EXAMINER'S REPORT AND RECOMMENDATION**

**STATEMENT OF THE CASE**

Royal Production Company, Inc. requests that a new field designation called the MU Block 898 (6000 Stringer) Field be approved for its State Tract 898-S Well No. 1. Royal also requests that the following rules be adopted for the MU Block 898 (6000 Stringer) Field:

1. Designation of the field as the correlative interval from 6,020 feet to 6,160 feet as shown on the log of the State Tract 898-S No. 1;
2. Allocation based on 95% deliverability and 5% per well.

There were no protests to this application and the examiner recommends approval of the new field designation and field rules.

**DISCUSSION OF EVIDENCE**

Royal Production Company, Inc. completed its State Tract 898-S No. 1 in July 2006. The well has three sets of perforations in the Miocene between 6,032 feet and 6,085 feet. On initial test, the well produced at a rate of 3,068 MCFD, 18 BCPD and no water. The well continues to produce at about 3,000 MCFD and 25 BCPD. Flowing tubing pressure is 2,250 psi with no indications of decline at this point in time.

The new field designation should be approved for the State Tract 898-S No. 1. The nearest comparable production is approximately 18 miles to the northeast. The only production within a 2 ½ mile radius of the No. 1 well is from approximately 11,000 feet. Additionally, the State Tract 898-S No. 1 encountered virgin pressure of 2,996 psig.

Royal requests that the entire correlative interval between 6,020 and 6,160 feet in the State Tract 898-S No. 1 be considered a single field. This interval includes several sands within the Miocene. Separate completions in the intervals would not be commercial.

State statutes require that a two factor allocation formula be adopted for the proposed field designation to be considered a single field. Royal requests that allocation be based on 95% deliverability and 5% per well for the field.

### **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. Royal Production Company, Inc. completed its State Tract 898-S Well No. 1 in July 2006 with three sets of perforations in the Miocene between 6,032 feet and 6,085 feet. On initial test, the well produced at a rate of 3,068 MCFD.
3. The State Tract 898-S No.1 is entitled to a new field designation because there is no comparable production within a 2½ mile radius of the subject well.
4. The entire correlative interval from 6,020 feet to 6,160 feet as shown on the log of the State Tract 898-S Well No. 1 should be designated as the MU Block 898 (6000 Stringer) Field.
5. Allocation based on 95% deliverability and 5% per well will protect correlative rights and meets statutory requirements for combining multiple productive zones into a single field.

### **CONCLUSIONS OF LAW**

1. Proper notice of this hearing was issued.
2. All things have been accomplished or have occurred to give the Commission jurisdiction in this matter.
3. Approval of the requested new field designation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.

**RECOMMENDATION**

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation and adoption of field rules for the MU Block 898 (6000 Stringer) Field.

Respectfully submitted,

Donna K. Chandler  
Technical Examiner