

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

**OIL AND GAS DOCKET
NO. 04-0248207**

**IN THE CHAPMAN RANCH
(MIOCENE CONS.) FIELD, NUECES
COUNTY, TEXAS**

**CONSOLIDATING VARIOUS CHAPMAN RANCH FIELDS,
ADOPTING A DESIGNATION OF CHAPMAN RANCH (MIOCENE CONS.) FIELD
FOR THE FIELD FORMED BY SUCH COMBINATION OF FIELDS
AND ADOPTING OPERATING RULES AND REGULATIONS
FOR THE CHAPMAN RANCH (MIOCENE CONS.) FIELD
NUECES COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on September 1, 2006, the presiding examiner has made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiner's report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is ordered by the Railroad Commission of Texas that the fields listed in Attachment "A" are consolidated into the new field designation to hereafter be known as the Chapman Ranch (Miocene Cons.) Field (RRC ID. No. 17075-372), Nueces County, Texas and shall be designated as an Associated-Prorated Field.

It is further ordered by the Commission that the following operating rules for the Chapman Ranch (Miocene Cons.) Field are hereby adopted and as hereinafter set out:

RULE 1: The entire combined 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, shall be designated as a single reservoir for proration purposes and be designated as the Chapman Ranch (Miocene Cons.) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED AND THIRTY (330) feet to any property line, lease line, or subdivision line and no between well spacing. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well, and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission shall have determined that such

exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired, application therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference. For oil wells, the standard drilling unit will remain FORTY (40) acres.

In applying this rule the general order of the Commission with relation to the subdivision of property shall be observed.

RULE 3a: The daily allowable production of gas from individual wells completed in a non-associated gas reservoir of the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells in the following manner:

FIVE percent (5%) of the total field allowable shall be allocated equally among the individual proratable wells producing from this field.

NINETY-FIVE percent (95%) of the total field allowable shall be allocated among the individual wells in the proportion that the deliverability of such well, as evidenced by the most recent G-10 test filed with the Railroad Commission bears to the summation of the deliverability of all proratable wells producing from this field.

RULE 3b: The daily oil allowable for each individual well in the subject field shall be 93 barrels of oil per day and/or determined by the sum total of the following two values:

Each well shall be assigned an allowable equal to its potential based on the most recent W-10 test filed with the Commission multiplied by 75%, provided that this value does not exceed the top allowable established for well above.

The daily per well allowable shall be determined by multiplying 25% by the maximum daily allowable above.

Further, it is ordered by the Railroad Commission of Texas that suspension of the allocation formula in the Chapman Ranch (Miocene Cons.) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Chapman Ranch (Miocene Cons.) Field drops below 100% of deliverability. If the market demand for gas in the Chapman Ranch (Miocene Cons.) Field drops below 100% of deliverability while the allocation formula is suspended, the operator shall immediately notify the Commission and the allocation formula shall be immediately reinstated. Failure to give such notice to the Commission may result in a fine (as provided for in Tex. Nat. Res. Code §86.222) for each day the operators fail to give notice to the Commission.

Done this the 10th day of October, 2006.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by OGC
Unprotested Master Order dated October 10, 2006)**

ATTACHMENT "A"

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

<u>Field Name</u>	<u>Field Number</u>
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