

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

**OIL AND GAS DOCKET
NO. 04-0248209**

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

**CONSOLIDATING VARIOUS CHAPMAN RANCH FIELDS,
ADOPTING A DESIGNATION OF CHAPMAN RANCH (MID. FRIO CONS.) FIELD
FOR THE FIELD FORMED BY SUCH COMBINATION OF FIELDS
AND ADOPTING OPERATING RULES AND REGULATIONS
FOR THE CHAPMAN RANCH (MID. FRIO 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 (Mid. Frio Cons.) Field (RRC ID. No. 17075-370), 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 (Mid. Frio Cons.) Field are hereby adopted and as hereinafter set out:

RULE 1: The entire combined 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, shall be designated as a single reservoir for proration purposes and be designated as the Chapman Ranch (Mid. Frio 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 pratable 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 pratable wells producing from this field.

RULE 3b: The daily oil allowable for each individual well in the subject field shall be 172 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 (Mid. Frio Cons.) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Chapman Ranch (Mid. Frio Cons.) Field drops below 100% of deliverability. If the market demand for gas in the Chapman Ranch (Mid. Frio 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. 04-0248209
Chapman Ranch (Mid. Frio Cons.) Field

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