



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

April 11, 2006

OIL AND GAS DOCKET NO. 04-0246488

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APPLICATION OF EL PASO PRODUCTION OIL & GAS CO. TO CONSOLIDATE THE MONTE CHRISTO (VKSBBG-ECKART), MONTE CHRISTO (VKSBBG EE) AND MONTE CHRISTO (9000) FIELDS INTO THE PROPOSED MONTE CHRISTO (VX-ECKART-EE-CNS) FIELD, HIDALGO COUNTY, TEXAS

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

DATE OF HEARING: March 23, 2006

APPEARANCES:

Jim Cowden, attorney

John Miller

REPRESENTING:

El Paso Production Oil & Gas Co.

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

This is the unprotected application of El Paso Production Oil & Gas for the Commission to consider consolidating the Monte Christo (VKSBBG-ECKART), Monte Christo (VKSBBG EE), and Monte Christo (9000) Fields into a new field, the Monte Christo (VX-ECKART-EE CNS) Field. The following rules are proposed:

1. The entire correlative interval from 8,990' to 9,900' as shown on the Dual Induction-Laterolog of the Shell Oil Company, Hamman Ranch Lease Well No. 5, API No. 42-215-30214, Juan Bali Survey, A-290, Hidalgo County, Texas should be designated as the Monte Christo (VX-ECKART-EE CNS) Field.
2. Minimum well spacing of 467'/933' (lease line/between well);
3. 40 acre gas proration units plus 10% tolerance and a maximum diagonal of 2,100';
4. An allocation formula based on 95% deliverability and 5% per well. It is proposed that the allocation formula be suspended.

At the hearing it was pointed out that the subject fields had received authorization for exceptions to Semi-Annual well testing. It was requested that this authorization be extended to the proposed Monte Christo (VX-ECKART-EE CNS) Field. The examiner recommends approval.

### DISCUSSION OF THE EVIDENCE

The Monte Christo (9000) Field was discovered in 1974 at 9,061' subsurface depth. The field is governed by Special Field Rules (Order No. 4-67,505, June 27, 1977) that provide for minimum wellspacing of 467'/1320', 320 acre gas proration unit density and 100% acreage allocation formula.<sup>1</sup> The field is classified as a Non-Associated Field and the allocation formula was suspended August 1993. There are two operators in the field and three wells. Cumulative production from the field is 19.7 BCF of gas.

The Monte Christo (VX-ECKART) Field was discovered in 1980 at a depth of 9,555' subsurface depth. The field is governed by Statewide Rules and is classified as Non-Associated and the allocation formula was suspended in December 1992. There are three operators in the field with 34 wells. Cumulative production from the field is 97.1 BCF of gas.

The Monte Christo (VKSBG EE) Field was discovered in 1986 at a depth of 9,280' subsurface depth. The field is governed by Statewide Rules and is classified as Non-Associated and the allocation formula was suspended in June 1999. El Paso is the only operator in the field with 7 wells. Cumulative production from the field is 3.8 BCF of gas.

Consolidation of the Monte Christo (VKSBG-ECKART), Monte Christo (VKSBG EE), and Monte Christo (9000) Fields will provide for the orderly development of the fields. The entire correlative interval from 8,990' to 9,900' as shown on the Dual Induction-Laterolog of the Shell Oil Company, Hamman Ranch Lease Well No. 5, API No. 42-215-30214, Juan Bali Survey, A-290, Hidalgo County, Texas should be designated as the Monte Christo (VX-ECKART-EE CNS) Field. The interval encompasses the top of the upper Vicksburg sands extending from the base of the Frio Formation to the base of what is known as the Vicksburg EE member (the EE member consists of three sand stringers).

Proration unit density of 40 acres will provide for the effective and efficient depletion of the reservoirs. Only the Monte Christo (9000) Field has special field rules. A review was made of the wells that have produced from the field for the determination volumetric and estimated ultimate recovery (EUR) for the determination of well drainage. The five wells reviewed have EUR's ranging from .12 BCF to 12.6 BCF. The drainage areas were respectively (acres): 3; 7; 10; 52; 53. There are 20 other Vicksburg fields in the area that are governed by 40 acre density.

The proposed minimum well spacing, 467'/933' (leaseline/between well) is the appropriate minimum well spacing to provide flexibility in locating wells.

The proposed 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. There is 100% market for all the gas

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<sup>1</sup> Rules adopted pursuant to Special Order 20-66,679 for the administrative approval of field rules in one operator fields.

produced from the subject field and the allocation formula should be suspended.

El Paso Production Oil & Gas Co. requests exception to the semi-annual well testing requirements prescribed by Statewide Rule 28 for wells in the proposed consolidated field be authorized as it has been authorized in the subject three fields. Approval was granted for the Monte Cristo (VKSBG-ECKART) and Monte Cristo (9000) Fields by Order No. 02-0241088 effective March 8, 2005 for a G-10 effective month of October. Approval was granted for the Monte Cristo (VKSBG EE) Field by Order No. 02-0241896 effective April 25, 2005 for a G-10 effective month of December. It is proposed that the effective month for the proposed Monte Cristo (VX-ECKART-EE CNS) Field be October.

#### FINDINGS OF FACT

1. Notice of this hearing was sent to all operators in the subject fields at least ten (10) days prior to the subject hearing.
2. There was no protest at the call of the hearing.
3. The Monte Cristo (9000) Field was discovered in 1974 at 9,061' subsurface depth.
  - a. The field is governed by Special Field Rules (Order No. 4-67,505, June 27, 1977) that provide for minimum well spacing of 467'/1320', 320 acre gas proration unit density and 100% acreage allocation formula.
  - b. The field is classified as a Non-Associated Field and the allocation formula was suspended August 1993.
  - c. There are two operators in the field and three wells.
4. The Monte Cristo (VX-ECKART) Field was discovered in 1980 at a depth of 9,555' subsurface depth.
  - a. The field is governed by Statewide Rules and is classified as Non-Associated and the allocation formula was suspended in December 1992.
  - b. There are three operators in the field with 34 wells.
5. The Monte Cristo (VKSBG EE) Field was discovered in 1986 at a depth of 9,280' subsurface depth.
  - a. The field is governed by Statewide Rules and is classified as Non-Associated and the allocation formula was suspended in June 1999.

- b. El Paso is the only operator in the field with 7 wells.
6. The entire correlative interval from 8,990' to 9,900' as shown on the Dual Induction-Laterolog of the Shell Oil Company, Hamman Ranch Lease Well No. 5, API No. 42-215-30214, Juan Bali Survey, A-290, Hidalgo County, Texas should be designated as the Monte Christo (VX-ECKART-EE CNS) Field.
7. Consolidation of the Monte Christo (VKSBG-ECKART), Monte Christo (VKSBG EE), and Monte Christo (9000) Fields will provide for the orderly development of the fields.
8. Proration unit density of 40 acres will provide for the effective and efficient depletion of the reservoirs.
  - a. A review was made of the wells that have produced from the field for the determination volumetric and estimated ultimate recovery (EUR) for the determination of well drainage.
  - b. The five wells reviewed have EUR's ranging from .12 BCF to 12.6 BCF.
  - c. The drainage areas were respectively (acres): 3; 7; 10; 52; 53.
  - d. There are 20 other Vicksburg fields in the area that are governed by 40 acre density.
9. The proposed minimum well spacing, 467'/933' (leaseline/between well) is the appropriate minimum well spacing to provide flexibility in locating wells.
10. The proposed 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.
11. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.
12. Exception to the semi-annual well testing requirements as prescribed by Statewide Rule 28 for wells in the proposed Monte Christo (VX-ECKART-EE CNS) Field is appropriate as it has been authorized as has been in the subject three fields.
  - a. Approval was granted for the Monte Christo (VKSBG-ECKART) and Monte Christo (9000) Fields by Order No. 02-0241088 effective March 8, 2005 for a G-10 effective month of October.
  - b. Approval was granted for the Monte Christo (VKSBG EE) Field by Order No. 02-0241896 effective April 25, 2005 for a G-10 effective month of December.

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. Consideration for consolidation of fields and the proposed field rules are a matter within the Commission jurisdiction.
4. Adoption of the proposed consolidation of fields and field rules will prevent waste, foster conservation and protect correlative rights.
5. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).
6. Approval of the exception to Statewide Rule 28 will not cause waste or harm correlative rights.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the proposed consolidation of the Monte Christo (VKSBG-ECKART), Monte Christo (VKSBGEE), and Monte Christo (9000) Fields into a new field, the Monte Christo (VX-ECKART-EE CNS) Field and the proposed field rules. Further, it is recommended that an exception to Statewide Rule 28 for semi-annual well testing be granted.

Respectfully submitted,



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Technical Examiner  
Office of General Counsel