



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

April 25, 2006

OIL AND GAS DOCKET NO. 04-0246817

APPLICATION OF EL PASO PRODUCTION OIL & GAS CO. TO CONSOLIDATE THE VARIOUS MONTE CHRISTO FIELDS INTO THE PROPOSED MONTE CHRISTO (43-57 CONS.) FIELD AND ADOPT RULES FOR THE MONTE CHRISTO (43-57 CONS.) FIELD, HIDALGO COUNTY, TEXAS

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

DATE OF HEARING: April 19, 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 19 Monte Cristo Fields (see Attachment "A") into a new field, the Monte Cristo (43-57 Cons.) Field. The following rules are proposed:

1. The entire correlative interval from 7,350' to 8,600' as shown on the Computer Processed log of the Coastal O&G Corp., 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 Cristo (43-57 Cons.) Field.
2. Minimum well spacing of 467'/660' (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 requested that the subject field receive authorization for exception to Semi-Annual well testing. Additionally, it was proposed at the hearing that the between well spacing be reduced from 933' to 660'. Subsequent to the hearing, the applicant sent notice of these proposals to all operators in the subject fields allowing for a 10 day opportunity to protest. No protests were

received. Further, the applicant requested that the Monte Christo (70) and Monte Christo (80) Fields be removed from the list of fields to be consolidated. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The first Monte Christo Field [the Monte Christo (57)] was discovered in 1953 at 8,378' subsurface depth. Further development of the field occurred primarily in the early 1980's. The discovery depths of the fields range from 7,489' to 8,828' subsurface. Six of the fields are governed by special field rules. The fields with special field rules all have minimum lease line spacing of 660'. The between well minimum spacing is either 1320' or 2640'. Three of the fields require 640 gas proration units, one field requires 320 gas proration units, one field requires 160 gas proration units and one field requires 40 acre gas proration units. The fields are all classified as Non-Associated. The fields with active wells either have the allocation formula suspended or are designated as one well fields. Six of the fields have no wells. There are multiple operators and multiple wells. Cumulative production from the proposed consolidated field is 115 BCF of gas.

Consolidation of the subject fields will provide for the orderly development of the reservoirs. The reservoirs are the result of a major north-south sealing fault across an anticlinal structure. The reservoirs are stacked Frio Sands separated by thin shale barriers. The entire correlative interval from 7,350' to 8,600' as shown on the Computer Processed log of the Coastal O&G Corp., 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 (43-57 Cons.) Field.

Proration unit density of 40 acres will provide for the effective and efficient depletion of the reservoirs. Currently there are 22 producing wells out of the 65 wells on the Commission's Proration Schedule. Well deliverability ranges from 1 to 348 MCFD. There have been eight downhole commingling permits issued. Bottomhole pressure data indicates that all the reservoirs are below 1,000 psia and are in the final stages of depletion. Volumetric analysis and production decline determinations were made on 30 wells for drainage area. Individual well estimated ultimate recoveries (EUR) range from 627 MCF to 17.3 BCF of gas. Drainage areas range from 2 acres to 443 acres. However, the wells with the highest EUR's and drainage areas are all plugged or are now downhole commingled or plugged back.

The proposed minimum well spacing, 467'/660' (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 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 has been previously granted in other area Frio and Vicksburg Fields in the area: the Monte Christo (VX-ECKART-EE CNS) Field (O&G Docket No. 04-0246488), O&G Docket No. 02-0241088 for 51 fields in Brooks, Dewitt, Duval, Hidalgo, Jim Hogg, Kenedy, Klegberg, Lavaca, Live Oak, Starr, Goliad, Jackson and Zapata Counties. In addition other large fields have been approved for Annual G-10 testing: Oak Hill (Cotton Valley); Ozona (Canyon Sand); Sawyer (Canyon); Stratton (Canyon Sand); Carthage (Cotton Valley); Newark, East (Barnett Shale); Epperson (Canyon Sand) Fields. It is proposed that the effective month for the proposed Monte Christo (43-57 Cons.) 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 first Monte Christo Field [the Monte Christo (57)] was discovered in 1953 at 8,378' subsurface depth.
 - a. The discovery depths of the fields range from 7,489' to 8,828' subsurface.
 - b. Six of the fields are governed by special field rules: fields with special field rules all have minimum lease line spacing of 660'; between well minimum spacing is either 1320' or 2640'; three of the fields require 640 gas proration units, one field requires 320 gas proration units, one field requires 160 gas proration units and one field requires 40 gas proration units.
 - c. The fields are all classified as Non-Associated.
 - d. The fields with active wells either have the allocation formula suspended or are designated as one well fields and six of the fields have no wells.
 - e. There are multiple operators and multiple wells.
4. The entire correlative interval from 7,350' to 8,600' as shown on the Computer Processed log of the Coastal O&G Corp., 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 (43-57 Cons.) Field.
5. Consolidation of the subject fields will provide for the orderly development of the reservoirs. The reservoirs are the result of a major north-south sealing fault across an anticlinal structure. The reservoirs are stacked Frio Sands separated by thin shale barriers.

6. Proration unit density of 40 acres will provide for the effective and efficient depletion of the reservoirs.
 - a. Currently there are 22 producing wells out of the 65 wells on the Commission's Proration Schedule that have deliverability ranging from 1 to 348 MCFD.
 - b. Bottomhole pressure data indicates that all the reservoirs are below 1,000 psia and are in the final stages of depletion.
 - c. Individual well estimated ultimate recoveries (EUR) range from 627 MCF to 17.3 BCF of gas.
 - d. Drainage areas range from 2 acres to 443 acres. The wells with the highest EUR's and drainage areas are all plugged or are now downhole commingled or plugged back.
7. The proposed minimum well spacing, 467'/660' (lease/line/between well) is the appropriate minimum well spacing to provide flexibility in locating wells.
8. 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.
9. There is 100% market for all the gas produced from the subject field and the allocation formula should be suspended.
10. Exception to the semi-annual well testing requirements as prescribed by Statewide Rule 28 for wells in the proposed Monte Christo (43-57 Cons.) Field is appropriate as it has been authorized in other fields with similar characteristics.
 - a. Approval has been granted for the Monte Christo (VX-ECKART-EE CNS) Field (O&G Docket No.04-0246488).
 - b. O&G Docket No. 02-0241088 for 51 fields in Brooks, Dewitt, Duval, Hidalgo, Jim Hogg, Kenedy, Klegberg Lavaca, Live Oak, Starr, Goliad, Jackson and Zapata Counties.
 - c. Other large fields have been approved for Annual G-10 testing: Oak Hill (Cotton Valley); Ozona (Canyon Sand); Sawyer (Canyon); Stratton (Canyon Sand); Carthage (Cotton Valley); Newark, East (Barnett Shale); Epperson (Canyon Sand) Fields.

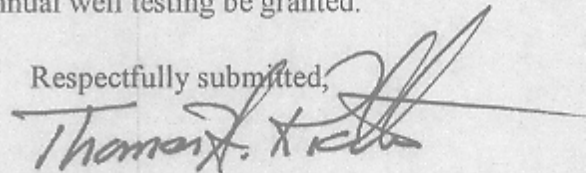
CONCLUSIONS OF LAW

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 (43-57 Cons.) Field. Further, it is recommended that an exception to Statewide Rule 28 for semi-annual well testing be granted.

Respectfully submitted,



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

ATTACHMENT "A"

Monte Cristo (43)	62556 360
Monte Cristo (46)	62556 400
Monte Cristo (47)	62556 420
Monte Cristo (48)	62556 440
Monte Cristo (49)	62556 445
Monte Cristo (50)	62556 450
Monte Cristo (50A)	62556 451
Monte Cristo (50-A, South)	62556 453
Monte Cristo (50B)	62556 455
Monte Cristo (50-B, South)	62556 460
Monte Cristo (51)	62556 475
Monte Cristo (52)	62556 490
Monte Cristo (56-A)	62556 530
Monte Cristo (56-B)	62556 535
Monte Cristo (57)	62556 540
Monte Cristo (57-A)	62556 545
Monte Cristo (57-B)	62556 550
Monte Cristo (57-C)	62556 555
Monte Cristo (57 South)	62556 563