

THE APPLICATION OF CHALKER OPERATING INC. TO AMEND THE FIELD RULES FOR THE BATEMAN (AUSTIN CHALK) FIELD, BASTROP AND CALDWELL COUNTIES, TEXAS

HEARD BY: Andres J. Trevino, P.E. - Technical Examiner

HEARING DATE: December 8, 2010

APPEARANCES:

John Hays
Kerry Pollard
Bill Dukes

Arny Ohnesorge

REPRESENTING:

Chalker Operating, Inc.

All In Energy Production, LLP

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Field Rules for the Bateman (Austin Chalk) Field were adopted in Final Order No. 1-53,372, issued effective December 13, 1963, as amended, and are summarized as follows:

1. 150'-300' well spacing;
2. 5 acre density, 2.06 acre optional units;
3. Allocation based on 100% acres.

Chalker Operating, Inc. ("Chalker Operating") requests that the Field Rules be amended to provide for a correlative interval from 2,000 feet to 2,525 feet and 100'-0' well spacing.

The application was unopposed and the examiner recommends that the Field Rules for the Bateman (Austin Chalk) Field be amended, as proposed by Chalker Operating.

DISCUSSION OF EVIDENCE

The Bateman (Austin Chalk) Field was discovered in April 1963 at an average depth of 2,234 feet. There are 57 vertical oil wells carried on the proration schedule. Field rules

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for the Bateman (Austin Chalk) Field provide for 150'-300' well spacing, 5 acre density, optional 2.06 acre units and allocation based on 100% acres. Cumulative production from the field through December 2010 is over 939.8 MBO. Chalker operated leases have produced 459.5 MBO or 48.8% of the total field production.

The field interval has never been designated for the field. Chalker Operating requests that the entire correlative interval from 2,000 feet to 2,525 feet as shown on the Compu-Log of the Austra-Tex - Voight Lease, Well No. 1 (API No. 42-021-30461), Bastrop County, Texas, be considered a single field known as the Bateman (Austin Chalk) Field. The field produces from the Austin Chalk formation.

Chalker Operating is redeveloping the Bateman (Austin Chalk) Field with horizontal wells. The field is in the late stage of depletion. The Bateman (Austin Chalk) Field has numerous existing vertical wells that would be required to be shut in if a horizontal lateral approached too close. Shutting in existing vertical wells will cause waste as reserves will be lost if the wells stop producing. Chalker Operating is requesting 100'-0' well spacing to provide for greater flexibility in locating infill horizontal wells between the numerous existing vertical wells. Most fields in District 01 being developed with horizontal wells have 0' between well spacing.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice and no protests were received.
2. The Bateman (Austin Chalk) Field was discovered in April 1963 at an average depth of 2,234 feet. There are 57 vertical oil wells carried on the proration schedule.
3. Field rules for the Bateman (Austin Chalk) Field provide for 150'-300' well spacing, 5 acre density with optional 2.06 acre units and allocation based on 100% acres.
4. The entire correlative interval from 2,000 feet to 2,525 feet as shown on the Compu-Log of the Austra-Tex - Voight Lease, Well No. 1 (API No. 42-021-30461), Bastrop County, Texas, should be designated a single field known as the Bateman (Austin Chalk) Field.
5. The field produces from the Austin Chalk formation. The field is in the late stage of depletion.
6. Chalker Operating is redeveloping the Bateman (Austin Chalk) Field with horizontal wells similar to other Chalk fields in the area. Well spacing of

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100'-0' will provide for greater flexibility in locating infill horizontal wells in between the numerous existing vertical wells.

7. Allocation based on 100% acres is a reasonable formula which will protect correlative rights.

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. Amending the Field Rules for the Bateman (Austin Chalk) Field is necessary to prevent waste, protect correlative rights and promote development of the field.

RECOMMENDATION

Based on the above findings of fact and conclusions of law, the examiner recommends that the Commission amend the Field Rules for the Bateman (Austin Chalk) Field, as proposed by Chalker Operating, Inc.

Respectfully submitted,

Andres J. Trevino, P.E.
Technical Examiner