



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET NO. 03-0259610

THE APPLICATION OF CENTURY EXPLORATION HOUSTON, INC. TO CONSIDER AMENDING FIELD RULES, PERMANENT GAS WELL CLASSIFICATION, FIELD TRANSFER AND AOF STATUS IN THE VAN METER (YEGUA EY-9) FIELD, HARDIN COUNTY, TEXAS

Heard by: Donna K. Chandler on November 19, 2008

Appearances:

George Neale
Rick Johnston
Ron Harvey
Chris Lipari

Representing:

Century Exploration Houston, Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Century Exploration Houston, Inc. requests the following:

1. Expansion of the designated interval for the Van Meter (Yegua EY-9) Field be expanded to include additional Yegua sands;
2. Transfer of the BP America A-39 Well No. 1 operated by LGDC Corporation into the Van Meter (Yegua EY-9) Field;
3. Classification of the BP America A-39 Well No. 2 as a gas well;
4. AOF status and cancellation of overproduction for the Van Meter (Yegua EY-9) Field.

This application was unopposed and the examiner recommends that a new field called the Van Meter (Yegua EY Cons.) Field be approved and that the Van Meter (Yegua EY-9) Field be consolidated into the new field. It is recommended that all other portions of the application be approved as requested and that the rules for the Van Meter (Yegua EY-9) Field be adopted for the new field, with the exception of the allocation formula. It is recommended that a two factor allocation formula be adopted for the new field. Century did not consider this recommendation to be adverse.

DISCUSSION OF EVIDENCE

The Van Meter (Yegua EY-9) Field was discovered in February 2008 upon completion of the Pat Riley No. 1. The well produces from the Yegua EY-9 from perforations between 9,230 feet (MD) and 9,244 feet (MD). In June 2008, Century completed its BP America A-39 Well No. 2 with perforations in the Yegua EY-2, EY-4 and EY-8 sands between 9,441 feet and 9,545 feet. Century has filed completion papers to place the well in the Van Meter (Yegua EY-9) Field.

On May 29, 2008, the Commission signed a Final Order in Docket No. 03-0256301 approving new field designation and field rules for the Van Meter (Yegua EY-9) Field. The rules provide for a designated interval, 933'-1,867' well spacing, 320 acre density and allocation based on 100% deliverability. The designated interval is from 9,225 feet to 9,245 feet as shown on the log of the Pat Riley No. 1. This interval includes only the Yegua EY-9 sand. Century proposes that the field interval be expanded to include the various other EY sands, from the top of the EY marker to the base of the EY-9. The proposed interval is from 8,856 (MD) feet to 9,245 feet (MD) as shown on the log of the Pat Riley No. 1. A field name of Van Meter (Yegua EY Cons.) will more accurately represent the proposed field interval.

In June 2007, LGDC Corporation completed its BP America A-39 Well No. 1. This well produces from the Yegua EY-4 and EY-8 sands and LGDC filed completion papers to place the well in the Bradley, South (Yegua 7770) Field. This well is located approximately 3,000 feet north of Century's BP America A-39 No. 2. The other two wells which produced from the Bradley, South (Yegua 7770) Field are about 2 miles to the northeast of the BP America A-39 No. 1 and produced from sands above the EY interval. Century believes the A-39 No. 1 should properly be carried in the same field as its two wells. LGDC was given notice of the proposed transfer and did not object.

A cross section of the three wells which will be carried in the consolidated field indicates pay in the various EY sands which are not currently perforated in the wells. Consolidation of the sands into a single field will allow production from pay intervals which may not otherwise be economic as separate completions.

The Form G-5 for Century's BP America A-39 No. 2 indicates a GOR of 53,867 cubic feet per barrel, API gravity of 57.6 degrees and straw colored liquid hydrocarbon. The ASTM distillation passed all Commission guidelines except the initial boiling point of 124°F. The Commission guideline is less than 120°F. This well would have been administratively classified as a gas well based on the Form G-5, but Century requests that the classification be made a part of the order in this docket.

The current allocation formula for the field is based on 100% deliverability based on the field rules. A two factor formula is now required as multiple stratigraphic intervals are being consolidated into a single field. Century requests an allocation formula based on

50% deliverability and 50% acreage. However, Forms AOF-2 certified by both Century and LGDC were submitted. Both operators agree that there is a market for all gas produced from the subject field and that the allocation formula should be suspended.

FINDINGS OF FACT

1. Notice of this hearing was given to all persons entitled to notice at least ten days prior to the date of hearing.
2. The Van Meter (Yegua EY-9) Field was discovered in February 2008 upon completion of the Pat Riley No. 1. The well produces from the Yegua EY-9 from perforations between 9,230 feet (MD) and 9,244 feet (MD).
3. On May 29, 2008, the Commission adopted field rules for the Van Meter (Yegua EY-9) Field which provide for a designated interval, 933'-1,867' well spacing, 320 acre density and allocation based on 100% deliverability.
4. The designated interval for the Van Meter (Yegua EY-9) Field is from 9,225 feet to 9,245 feet as shown on the log of the Pat Riley No. 1. This interval includes only the Yegua EY-9 sand.
5. In June 2008, Century completed its BP America A-39 Well No. 2 with perforations in the Yegua EY-2, EY-4 and EY-8 sands between 9,441 feet and 9,545 feet.
6. The Van Meter (Yegua EY Cons.) Field should be designated to include all EY sands from the top of the EY marker to the base of the EY-9. This interval is from 8,856 (MD) feet to 9,245 feet (MD) as shown on the log of the Pat Riley No. 1.
7. The LGDC Corporation - BP America A-39 Well No. 1 is currently designated in the Bradley, South (Yegua 7770) Field. This well produces from the Yegua EY-4 and EY-8 sands and should properly be carried in the Van Meter (Yegua EY Cons.) Field.
8. Consolidation of the sands into a single field will allow production from pay intervals which may not otherwise be economic as separate completions.
9. The BP America A-39 No. 2 should be classified as a gas well in the Van Meter (Yegua EY Cons.) Field.
10. A two factor formula is necessary for the Van Meter (Yegua EY Cons.) Field. An allocation formula based on 50% deliverability and 50% acreage is a reasonable formula which meets statutory requirements.

11. There is a market for all gas produced from the Van Meter (Yegua EY Cons.) Field.

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. Approval of the requested new field designation, field consolidation and adoption of field rules will prevent waste, protect correlative rights and promote the orderly development of the field.
4. The subject field meets all the criteria established for suspension of the allocation formula under Statewide Rule 31(j).

RECOMMENDATION

Based on the above findings and conclusions of law, the examiner recommends approval of the new field designation called the Van Meter (Yegua EY Cons.) Field, consolidation of the Van Meter (Yegua EY-9) Field into the new field, and adoption of field rules for the new field.

Respectfully submitted,

Donna K. Chandler
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Technical Examiner (cc 12/16/08)