

**THE APPLICATION OF CHEVRON U.S.A., INC. FOR PERMANENT FIELD RULES
FOR THE MCALLEN RANCH (GUERRA) FIELD, HIDALGO COUNTY, TEXAS**

Heard by: Margaret Allen, Technical Hearings Examiner

Procedural history

Application received: April 26, 2006

Hearing held: May 18, 2006

Appearances

Brian Sullivan
Terry D. Payne

Representing
Chevron U.S.A., Inc.

EXAMINER'S REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Chevron U.S.A., Inc. ("Chevron") is seeking the following permanent field rule for the McAllen Ranch (Guerra) Field:

1. 467-0' well spacing with no change in the Statewide Rule specifying 40 acre drilling units.

DISCUSSION OF THE EVIDENCE

The McAllen Ranch (Guerra) Field was discovered in June of 1985, with the completion of the Texaco A.E. Guerra Lease Well No. 28. The discovery well was perforated from 14,065' to 14,124'. There are now 11 active Chevron wells and 10 active Shell Western E&P wells. The cumulative production from Chevron's wells is 237 BCF and 2,900,00 BC, and from Shell's wells is 135 BCF and 1,800,000 BC. The field's gas rate has fallen from a high of 3 BCF per month in 1989 to 500 MMCF per month and the condensate rate has fallen from 40,000 barrels per month in 1994 to 5000 barrels per month.

The McAllen Ranch field area was first developed in the 1960's. Forty-one McAllen Ranch fields have been approved though only 12 are still active, and two of these have no wells. Most of the 183 active completions that are not in the McAllen Ranch (Guerra) Field, have been assigned to one of two consolidated fields—71 completions to the McAllen Ranch (Vksbg L-V, N Cons.) Field and 54 completions to the McAllen Ranch (Vksbg P-V, S Cons.) Field. The McAllen Ranch (Vksbg P-V, S Cons.) Field already requires no minimum distance between wells on the same lease.

This field area is complexly faulted as well as having multiple pay sands. The Guerra is the deepest producing Vicksburg sandstone. The Chevron's and Shell's leases with Guerra wells have over

100 other wellbores. A great many of the wells that were completed in shallower McAllen fields are less than 1200' from existing Guerra wells. To facilitate recompletions to the Guerra sand in wells that have already depleted other fields, Chevron is requesting that there be no minimum between-well spacing required.

FINDINGS OF FACT

1. On May 2, 2006, notice of this hearing was given to all operators in the McAllen Ranch (Guerra) Field.
2. The McAllen Ranch (Guerra) Field was discovered in 1985, with the completion of the Texaco A.E. Guerra Lease Well No. 28 at a depth of over 14,000'.
3. Cumulative production from Chevron U.S.A. Inc.'s eleven wells is 237 BCF and 2,900,00 BC.
4. Shell Western E&P's ten wells have produced 135 BCF and 1,800,000 BC.
5. There are 183 active wells in other McAllen Ranch fields on the leases of Chevron U.S.A. Inc. and Shell Western E&P.
6. Most of these 183 wells have been assigned to two consolidated fields—71 to the McAllen Ranch (Vksbg L-V, N Cons.) Field and 54 to the McAllen Ranch (Vksbg P-V, S Cons.) Field.
7. The McAllen Ranch (Vksbg P-V, S Cons.) Field requires no minimum distance between wells on the same lease.
8. Many of the wells that were completed in shallower McAllen fields are less than 1200' from existing Guerra wells.
9. It will facilitate recompletions to the Guerra sand in wells that have already depleted other fields, if no minimum between-well spacing is required.
10. Lease line spacing of 467' will protect correlative rights.

CONCLUSIONS OF LAW

1. Proper notice was given as required by statute.
2. All things have been done or occurred to give the Railroad Commission jurisdiction to resolve this matter.
3. The proposed spacing rule will prevent waste, protect correlative rights and promote orderly development of the field.

EXAMINER'S RECOMMENDATION

Based on the above findings and conclusions, the examiner recommends approval of the application of Chevron U.S.A., Inc. for a rule specifying no minimum between-well spacing is required in the McAllen Ranch (Guerra) Field, as per the attached order.

Respectfully submitted,

Margaret Allen
Technical Hearings Examiner