

January 27, 2006

OIL AND GAS DOCKET NO. 06-0245262

APPLICATION OF CHESAPEAKE OPERATING INC., TO CONSIDER CONSOLIDATION OF DOCKETS NO. 6-79,349; 6-92,079; 06-0237044; 06-0235355; 06-0211146; 06-0200244; AND 06-222112, HIGH COST GAS AREA DESIGNATIONS FOR THE TRAVIS PEAK FORMATION, RUSK, NACOGDOCHES AND SHELBY COUNTIES, TEXAS

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

DATE OF HEARING: December 22, 2005

APPEARANCES:

Bill G. Spencer
Cary McGregor

REPRESENTING:

Chesapeake Operating, Inc.

EXAMINER'S REPORT AND RECOMMENDATION
STATEMENT OF THE CASE

This is the unprotested application of Chesapeake Operating that the production from the Travis Peak Formation in the proposed "consolidated and expanded" area be designated as "tight" and be eligible for the high cost state severance tax incentives pursuant to 16 TAC §3.101. It is proposed that the previously approved area designations be consolidated into one designation and this consolidated area designation be expanded to include a greater area. The examiner recommends approval.

DISCUSSION OF THE EVIDENCE

The proposed area designation is located in Rusk, Nacogdoches and Shelby Counties and covers 124,369 acres. Within the proposed designated area there have been eight tight gas sand designations covering 65,508 acres that have been approved over the last 20 years. There are a number of Travis Peak Fields that have grown together over time and the formation in any of these fields is representative of the Travis Peak Formation throughout the area. The 10 Commission recognized fields are: Naconiche Creek (Travis Peak) [SWR Rules]; Naconiche Creek, W. (Travis Peak) [SWR Rules]; Appleby, N. (Travis Peak) [Sp. Fd. Rules 640/optional 40]; Campground Creek (Travis Peak) [SWR Rules]; Garrison (Travis Peak) [Sp. Fd. Rules 640/optional 80]; Joliat (Travis Peak) [SWR Rules]; Maronda (Travis Peak) [SWR Rules]; Pearson (Travis Peak) [SWR Rules]; Toolan (Travis Peak) [Sp. Fd. Rules 640/optional 320] and Wanders Creek (Travis Peak) [SWR

Rules]. Additional data points have been obtained to substantiate the expansion area. There are a total of 39 data points. The geometric average permeability ranges from .0065 to .0051 millidarcies (md) and the corresponding geometric average stabilized flow rates range from 74 to 59 MCFD. The average depth to the top of the Travis Peak Formation is 7,950' which corresponds to a maximum allowed pre-stimulation stabilized flow rate of 336 MCFD pursuant to Rule 101. The *in-situ* permeability can be no greater than 0.1 md (millidarcies). In this application, only gas fields are being considered and therefore there is no crude oil being produced.

The proposed area is shown on the geographical map submitted and all the expanded designated area is contained within 2-1/2 miles from a data point. The previous applications are: 6-79,349; 6-92,079; 06-0237044; 06-0235355; 06-0211146; 06-0200244; 06-222112; and 06-0244882. These were approved between May 1985 and November 2005. The analysis was performed by five different operators. It is proposed that the same well and interval designation as approved in Docket No. 06-0235355 continue to be used for this application which is the entire Travis Peak Formation from the base of the Pettit to the top of the Cotton Valley as shown on the Prairie Producing Co., L.L. Jasper Well No. 1 from 8,008' to 10,270' (API No. 42-347-31324).

The initial 65,508 acres used 31 data points. The geometric average permeability for these wells is .00511 md and the geometric average stabilized flow rate is 70 MCFD. For the expanded area, an additional 8 data points were added. Two permeability analyses were performed. The first is a correlation (approved in Docket No. 06-79,349) used to calculate the apparent formation permeability from post-stimulation well test flow data. In the second analysis, the new data point wells are assigned the geomean permeability of .005 md as calculated from the first 31 data point wells which is representative of the permeability expected through the Travis Peak Formation in the proposed area. The first analysis determined the permeability with a geomean of .0065 md and a flow rate geometric average of 74 MCFD. The second analysis determined the permeability with a geomean of .0051 md and a flow rate geometric average of 59 MCFD. The *in-situ* permeability based on the original 31 data points ranged from .00003 to .072 md and the analysis methodologies include bottomhole pressure buildups, pressure drawdowns, type curves, core data, daily well test data and history matching of performance data. In the proposed expanded area, the permeabilities ranged from .00649 to .005 md. A physical description of the counties, surveys and abstracts is attached.

There have been a total of 235 wells which have produced from the Travis Peak within the proposed area. Currently there are 168 active wells. The majority of the active wells (138 of 168 wells) are in the Appleby, N and Naconiche Creek (Travis Peak) Fields. The Naconiche Creek (Travis Peak) Field was recently consolidated into the Naconiche Creek (Rod.TP Cons.) Field.

FINDINGS OF FACT

1. Notice of this hearing was provided to all affected parties on December 1, 2005 and there was no protest registered.
2. The proposed area designation is located in Rusk, Nacogdoches and Shelby Counties and

covers 124,369 acres.

- a. Within the proposed designated area there have been eight tight gas sand designations covering 65,508 acres that have been approved over the last 20 years.
 - b. The following Travis Peak Fields have grown together over time: Naconiche Creek (Travis Peak) [SWR Rules]; Naconiche Creek, W. (Travis Peak) [SWR Rules]; Appleby, N. (Travis Peak) [Sp. Fd. Rules 640/optional 40]; Campground Creek (Travis Peak) [SWR Rules]; Garrison (Travis Peak) [Sp. Fd. Rules 640/optional 80]; Joliat (Travis Peak) [SWR Rules]; Maronda (Travis Peak) [SWR Rules]; Pearson (Travis Peak) [SWR Rules]; Toolan (Travis Peak) [Sp. Fd. Rules 640/optional 320] and Wanders Creek (Travis Peak) [SWR Rules].
3. The previous applications are: 6-79,349; 6-92,079; 06-0237044; 06-0235355; 06-0211146; 06-0200244; 06-222112; and 06-0244882 and were approved between May 1985 and November 2005.
4. The proposed consolidated area is shown on the geographical map contained in the application and the counties, surveys and abstracts are attached to the Final Order and all the expanded designated area is contained within 2-1/2 miles from a data point.
5. The proposed interval, the entire Travis Peak Formation from the base of the Pettit to the top of the Cotton Valley as shown on the Prairie Producing Co., L.L. Jasper Well No. 1 from 8,008' to 10,270' (API No. 42-347-31324), meets the Commission's guidelines for high cost and/or tight gas formation designation.
6. The area of application meets the Railroad Commission permeability guidelines.
 - a. According to the 16 TAC §3.101(f) regulations the average in-situ prestimulation permeability must not exceed 0.1 md.
 - b. The geometric average permeability ranges from .0065 to .0051 millidarcies.
 - c. There are a total of 39 data points.
7. The wells within the area of application meets the Railroad Commission flow rate guidelines.
 - a. Regulations specify that the stabilized prestimulation producing rates must not be expected to exceed 5 BOPD and a depth dependent gas rate for wells completed in the area of application.
 - b. The corresponding geometric average stabilized flow rates range from 74 to 59

MCFD. The average depth to the top of the Travis Peak Formation is 7,950' which corresponds to a maximum allowed pre-stimulation stabilized flow rate of 336 MCFD pursuant to Rule 101.

- c. There are a total of 39 data points.
- d. Only gas fields are being considered and therefore there is no crude oil being produced.

CONCLUSIONS OF LAW

- 1. Proper notice was issued to all affected persons as required by the applicable codes and regulatory statutes.
- 2. The Commission is the appropriate agency to make a determination concerning high cost and/or tight gas formation certification pursuant to 16 TAC §3.101.
- 3. The proposed areas comply with the provisions of 16 TAC §3.101 and the Commission recognizes the area of application as complying with these requirements sufficient to support a determination that all wells within this area are producing from a high cost and/or tight gas formation.
- 4. Gas produced from wells completed in the proposed area designation in the Travis Peak Formation, identified by plat in this hearing and the attached real property descriptions indicating county, survey and abstract is high cost and/or tight gas pursuant to 16 TAC §3.101

EXAMINER'S RECOMMENDATION

The examiner recommends the attached order be entered to recommend that the Travis Peak Formation proposed, the previously approved area designations be consolidated into one designation and this consolidated area designation be expanded to include a greater area be designated and certified as a tight gas formation and area and therefore produces high cost gas.

Respectfully submitted,

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

NACOGDOCHES	ACOSTA, J J	A-65
	ADAMS, J W	A-848
	ALDRIDGE, J H	A-68
	ANDERSON, J W	A-62
	ARRIOLA, M J	A-4
	AYLER, J W	A-71
	BAILEY, H	A-6
	BAILEY, H W	A-83
	BAILEY, J	A-82
	BAILEY, J G & J L	A-889
	BAKER, W	A-91
	BANKS, A	A-108
	BARRINGTON, T	A-127
	BELL, C N	A-112
	BELL, J R	A-769
	BELL, S & A W	A-888
	BELL, W	A-94
	BENTON, N	A-87
	BENTON, N	A-88
	BENTON, N	A-89
	BENTON, N	A-90
	BIGGS, W	A-95
	BIGGS, W	A-96
	BIGGS, W N	A-122
	BISHOP, W A	A-107
	BOATMAN, D	A-105
	BOATMAN, J L	A-792
	BOWMAN, J H	A-742
	BOYETT, C	A-117
	BROWN, C R	A-836
	BROWN, G W	A-881
	BURKEHALTER, N	A-677
	BURNS, J W	A-121
	BYNUM, L	A-115
	CADDEL, A B	A-151
	CARO, J A	A-13
	CARSON, W	A-165
	CARTER, F	A-667
	CASTRO, M D	A-133
	CHANEY, P G	A-175
	CHILDERS, J C	A-139
	CHRISTOPHER, J	A-171
	CLAYTON, J N	A-789
	CLIFTON, I P	A-152
	CLIFTON, J R	A-153
	CLIFTON, R E	A-150
	CLUTE, J R	A-880
	COATS, H A	A-155
	COATS, J K	A-156
	COLE, M F	A-160

	COLLINS, G	A-790
	COLLINS, J P	A-140
	COODY, J	A-138
	COOPER, T J	A-683
	CORDOVA, J & BROS	A-20
	CORZINE, S	A-135
	COUTS, W H	A-154
	COX, F	A-679
	CRAIG, J B	A-144
	CRAWFORD, E M	A-149
	CRAWFORD, R	A-755
	CROW, J M	A-145
	DAMRON, J C	A-808
	DE LA SANTOS COY, J	A-22
	DOHERTY, J F F	A-184
	DRIVER, J	A-779
	EDMONDSON, W	A-203
	EMANUEL, A	A-201
	ENGLEDOW, J	A-200
	ETHERIDGE, D O	A-205
	ETHERIDGE, D O	A-206
	FISHER, S D	A-883
	FUEL, P B	A-216
	FULCHER, W	A-756
	FULLER, P	A-213
	GALAN, M	A-226
	GARCIA, F	A-225
	GOMEZ, J	A-229
	GOMEZ, J	A-230
	GORMAN, J P	A-236
	GOSA, Z A	A-234
	GRAHAM, H	A-222
	GREEN, J	A-890
	HALL, A	A-668
	HARPER, B J	A-289
	HARRIS, J A	A-278
	HARRIS, J A	A-279
	HARRISON, J	A-693
	HARTSFIELD, L	A-286
	HAYS, W	A-292
	HELPENSTELL, W	A-282
	HERRERA, M G	A-244
	HERRERA, M G	A-248
	HOLMES, C	A-264
	HOYA, C	A-838
	HUMPHREY, B	A-?5
	HYDE, G S	A-270
	HYDE, J H	A-273
	I&GN RR CO	A-658
	I&GN RR CO	A-659

	I&GN RR CO	A-660
	IRVINE, J T P	A-300
	JACOBS, J	A-313
	JACOBS, S E	A-320
	JONES, J S	A-319
	JONES, M	A-315
	JONES, M	A-317
	JORDAN, J F	A-321
	JORDAN, R A	A-308
	KELLER, F	A-329
	KERBY, J	A-36
	KIRKENDALL, L	A-333
	KIRVIN, T	A-328
	KOLB, J E	A-332
	KOLB, J R	A-334
	KOLB, W	A-331
	KOLB, W	A-335
	KOLB, W	A-336
	KRABER, H	A-327
	LONG, J B	A-349
	LUMPKIN, W M	A-39
	MANOR, E	A-379
	MANUEL, G	A-732
	MARTIN, A D	A-833
	MC GUIRE, G W	A-410
	MC MINNS, A	A-700
	MEANS, E A	A-368
	MEDINA, J J	A-360
	MELLOWN, E	A-394
	MOORE, A	A-396
	MOORE, W M	A-376
	MORRISS, J	A-412
	MUCKLERROY, J S	A-772
	NALL, M	A-?1
	NEEL, J	A-416
	NOLLS, M	A-?3
	OLFIN, R	A-419
	ORR, T	A-?2
	OXSHEER, W E	A-420
	PADILLA, P S	A-44
	PALMER, M G	A-437
	PARK, A	A-425
	PARROTT, P J	A-441
	PATTERSON, J	A-444
	PATTERSON, J F	A-750
	PATTERSON, L	A-434
	PATTON, B	A-735
	PEARCE, W J C	A-447
	PEAREY, W D	A-452
	PERKINS, J	A-423

	PIERPONT, W	A-431
	PLEASANT, T R	A-702
	PLEASANT, W H	A-749
	PLEASANTS, G	A-703
	POLK, I D	A-886
	POLLITT, E	A-424
	POWDRILL, R	A-435
	PULLEN, T S	A-436
	PULVADOR, J B	A-439
	RABIA, S	A-469
	RAMBAIN, A	A-479
	RAMBAIN, J S	A-498
	RAMBAIN, Z	A-707
	RANDALL, O W	A-462
	RAQUET, H W	A-484
	RASCO, L	A-473
	RIDER, H W	A-475
	ROBINSON, W	A-493
	ROBINSON, Z	A-464
	RUSSELL, G	A-477
	RUSSELL, G	A-478
	RUSSELL, G	A-708
	RUSSELL, W M & H D	A-891
	SALIZON, A	A-503
	SALMON, J L	A-543
	SALMON, J L	A-544
	SANCHEZ, D	A-505
	SANCHEZ, I	A-509
	SANCHEZ, M	A-51
	SCROGGINS, P	A-530
	SEELBACH, D	A-531
	SHEPHERD, L	A-664
	SHEPHERD, W J	A-555
	SIERRA, J M	A-52
	SIMPSON, G	A-525
	SIMPSON, J	A-521
	SNEDACRE, W	A-538
	SPIVEY, T	A-539
	STANCELL, B B	A-515
	STATE OF TEXAS	A-?7
	STEPHENS, J	A-519
	STEPHENS, Q D	A-545
	STERNE, A	A-514
	STONE, R	A-520
	STRIPLING, B	A-876
	SUMMERS, M	A-550
	SUMMERS, W	A-551
	TURNER, J	A-568
	TYNES, W L	A-754
	VANNOY, A	A-582

	VARDEMAN, J B	A-584
	VILLA, J J	A-576
	VILLA, J J	A-577
	WAGES, N	A-604
	WALKER, W C	A-596
	WALLING, J	A-588
	WALLING, J	A-597
	WATKINS, H M	A-599
	WEAVER, A C	A-741
	WEST, H	A-610
	WHITAKER, B F	A-586
	WHITE, O	A-775
	WHITE, S	A-608
	WHITE, W	A-595
	WHITE, W G	A-606
	WHITE, W G	A-611
	WILLIAMS, E D	A-752
	WILLIAMS, W	A-605
	WILLS, J F	A-776
	WOOD, T	A-600
	WRAGG, T P	A-869
	WRIGHT, J O	A-612
	WRIGHT, J O	A-614
	WRIGHT, J O	A-615
	WYRICK, J	A-609
	YANCY, A	A-625
	YANCY, J	A-35
	YANCY, M T	A-629
	YARBROUGH, M	A-626
	ZANOBRANO, A F	A-631
Rusk County		
	ACOSTA, J	A-235
	ACOSTA, J J	A-52
	BENTON, N	A-996
	BIGGS, B F	A-153
	BOND, S	A-129
	BROWN, G W	A-122
	BRUCE, W	A-150
	BUTTON, R S	A-128
	CHAMBERLAIN, H P	A-226
	CHAMBERLAIN, H P	A-227
	CLUTE, J R	A-165
	CUTTER, S	A-213
	ELLIOT, W	A-9
	ENGLEDOW, J	A-262
	ENGLISH, J	A-265
	FERGUSON, I	A-293
	FISHER, S D	A-299
	FROST, H	A-309
	GARRISON, Z B	A-342

	GHALSEN, J J	A-314
	GRAHAM, H	A-313
	HAMILTON, J	A-437
	HILTON, H	A-369
	JOWELL, J D	A-460
	KELLEY, R	A-469
	MAYHON, N	A-518
	MC KAY, G C	A-578
	MORRISON, J C	A-517
	NALL, M	A-896
	NOLLS, M	A-606
	OLFIN, R	A-978
	ORR, T	A-612
	PATTERSON, A	A-652
	PATTERSON, S K	A-653
	PELTON, E	A-651
	RAGAN, E J	A-688
	RAMOS, J M	A-660
	RATCLIFF, J	A-672
	ROMOS, J M	A-997
	SALIZON, A	A-696
	SILSBY, A	A-708
	SNIVELY, J	A-695
	SPIVEY, T	A-723
	SPIVEY, T	A-724
	STARKEY, J	A-725
	STATE OF TEXAS	A-234
	WHITE, J	A-816
	WILLIAMS, J A	A-869
	WILLIAMS, J R	A-870
	WRIGHT, J O	A-862
	WRIGHT, J O	A-877
Shelby County		
	ADAMS, B F	A-19
	CARR, A	A-105
	DUNN, W H	A-149
	EDWARDS, J	A-198
	GREENWOOD, G	A-242
	HERREN, A JR	A-899
	HILTON, H	A-222
	HOPKINS, D	A-300
	HUMPHREYS, B	A-285
	JORDAN, J	A-383
	LINDSEY, C B	A-421
	PARMER, W L	A-565
	TALBOT, J	A-731
	WHITE, J	A-772