

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION**

**OIL AND GAS DOCKET
NO. 10-0261404**

**IN THE PANHANDLE GRAY COUNTY
FIELD, GRAY COUNTY, TEXAS**

**FINAL ORDER
APPROVING THE APPLICATION OF PETCO PETROLEUM CORP.
TO INJECT FLUID INTO A RESERVOIR PRODUCTIVE OF OIL OR GAS
IN THE NOEL LEASE, WELL NO. 1G
PANHANDLE GRAY COUNTY FIELD
GRAY COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on June 4 and October 29, 2009, the presiding examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' report and proposal for decision, the findings of fact and conclusions of law contained therein, and any exceptions and replies thereto, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that Petco Petroleum Corp. is hereby authorized to conduct fluid injection operations in its Noel Lease, Well No. 1G, in the Panhandle Gray County Field, Gray County, Texas, subject to the following terms and conditions:

SPECIAL CONDITIONS:

1. That the injection program be conducted in an interval from 3,128 feet to 3,333 feet.
2. Fluid injection must be through tubing set on a packer and the maximum surface injection pressure shall not exceed 200 psig.
3. The authority to inject fluid is limited to the injection of salt water and fresh water.
4. While secondary recovery operations are ongoing, all Noel lease produced water must be re-injected on the lease with the maximum rate of injection not to exceed 740 barrels of fresh water and 500 barrels of salt water per day.
5. Cement squeeze the 6 5/8" casing above the top of the injection interval with approximately 100 sacks of cement.

6. Run a 4 ½" casing liner to 3,100 feet and cement it back to the surface with approximately 400 sacks of cement.
7. Run a cement bond log or temperature survey to confirm the quality and top of cement on both cementing operations.
8. Document both the cement squeeze and casing liner installation with copies of the Form W-15 filed with the initial mechanical integrity test report Form H-5.
9. Bring all wells on the Noel Lease into compliance with Statewide Rule 13(b)(1)(B).
10. An annual mechanical integrity test must be performed and the results submitted in accordance with the instructions of Form H-5.
11. The tubing-casing annulus pressure must be monitored at least weekly and reported annually on Form H-10 to the Commission's Austin Office.

STANDARD CONDITIONS FOR EACH WELL:

1. The District Office must be notified 48 hours prior to:
 - a) running tubing and setting packer
 - b) beginning any workover or remedial operation, and
 - c) conducting any required pressure tests or surveys.
2. The wellhead must be equipped with a pressure observation valve on the tubing and for each annulus.
3. Prior to beginning injection, and subsequently after any workover, an annulus pressure test must be performed. The test pressure must equal the maximum authorized injection pressure or 500 psig, whichever is less, but must be at least 200 psig. The test must be performed and the results submitted in accordance with the instructions of Form H-5.
4. A new Form W-2 must be filed in duplicate with the District Office within 30 days after completion or conversion to show the current completion status of the well. The date of the injection permit and project number, and the date that injection commenced or will commence must be included on the new Form W-2.
5. The injection pressure and injection volume must be monitored at least monthly and reported annually on Form H-10 to the Commission's Austin Office.
6. Written notice of the intent to transfer the permit must be submitted to the Commission at least 15 days prior to the date the transfer will occur (File Form P-4).

- 7. A well herein authorized cannot be converted to a producing well and have an allowable assigned without filing an amended Form W-1 and receiving Commission approval.
- 8. The project number shall be F6403.

Provided further that, should it be determined that such injection fluid is not confined to the approved strata, then the permission given herein is suspended and the fluid injection must be stopped until the fluid migration from such strata is eliminated.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

This order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

Done this 12th day of January, 2010.

RAILROAD COMMISSION OF TEXAS



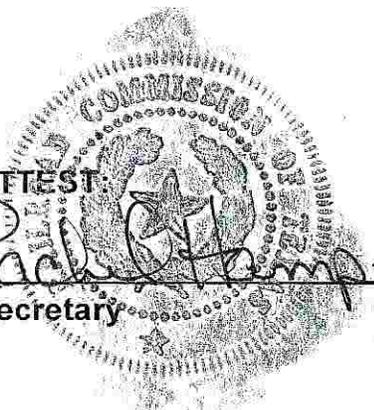
 Chairman Victor G. Carrillo



 Commissioner Elizabeth A. Jones



 Commissioner Michael L. Williams

ATTEST



 Secretary