RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET
IN THE SAMANO (FOURTH MASSIVE) FIELD, STARR COUNTY, TEXAS
NO. 04-0227722

FINAL ORDER
APPROVING THE APPLICATION OF COASTAL OIL & GAS CORPORATION
FOR NEW FIELD DESIGNATION AND ADOPTION OF FIELD RULES
FOR THE SAMANO (FOURTH MASSIVE) FIELD
STARR COUNTY, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on
March 29, 2001, the presiding examiner has made and filed a report and recommendation containing
findings of fact and conclusions of law, for which service was not required; 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 examiner's report and
recommendation, the findings of fact and conclusions of law contained therein, 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 the application of Coastal
Oil & Gas Corporation for new field designation to be known as the Samano (Fourth Massive) Field,
ID No. ________________, Starr County, Texas, is hereby approved.

It is further ordered by the Railroad Commission of Texas that the following field rules are
hereby adopted for the Samano (Fourth Massive) Field.

RULE 1: The entire correlative interval from 8,523 feet to 9,469 feet as shown on the log
of the Samano Lease Well No. 19, Porcion 38, Juan Vega Survey, A-280, Starr County, Texas, shall
be designated as a single reservoir for proration purposes and be designated as the Samano (Fourth
Massive) Field.

RULE 2: No well for gas shall hereafter be drilled nearer than FOUR HUNDRED SIXTY-
SEVEN (467) feet to any property line, lease line, or subdivision line and no well shall be drilled
nearer than NINE HUNDRED THIRTY-THREE (933) feet to any applied for, permitted or
completed well in the same reservoir on the same lease, pooled unit or unitized tract. The
aforementioned distances in the above rule are minimum distances to allow an operator flexibility
in locating a well, and the above spacing rule and the other rules to follow are for the purpose of
permitting only one well to each drilling and proration unit in either field. Provided however, that
the Commission will grant exceptions to permit drilling within shorter distances and drilling more
wells than herein prescribed whenever the Commission shall have determined that such exceptions
are necessary either to prevent waste or to prevent the confiscation of property. When exception to
these rules is desired, application therefor shall be filed and will be acted upon in accordance with
the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference. The standard drilling unit shall remain forty (40) acres per well.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

RULE 3: The daily allowable production of gas from individual wells completed in a non-associated gas reservoir of the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells in the following manner:

FIVE percent (5%) of the field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

NINETY-FIVE percent (95%) of the field's total allowable shall be allocated among the individual wells in the proportion that the deliverability of such well, as evidenced by the most recent G-10 test filed with the Railroad Commission bears to the summation of the deliverability of all proratable wells producing from the field.

Effective this 24th day of April, 2001.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN MICHAEL L. WILLIAMS

COMMISSIONER CHARLES R. MATTHEWS

COMMISSIONER TONY GARZA

ATTEST:

Secretary