RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL AND GAS DOCKET
NO. 04-0244579

IN THE ALTO BONITO (YEQUA) FIELD, STARR COUNTY, TEXAS

FINAL ORDER
APPROVING THE APPLICATION OF KERR-MCGEE ONSHORE LLC
FOR NEW FIELD DISCOVERY DESIGNATION AND FIELD RULES FOR THE
ALTO BONITO (YEQUA) FIELD, STARR COUNTY, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on
November 3, 2005, 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.

It is ordered by the Railroad Commission of Texas that the application of Kerr-McGee
Onshore LLC for new field discovery for the Alto Bonito (Yegua) Field (RRC Field No. 02088-
550), Starr County, Texas be and hereby is approved.

Further, it is ordered by the Railroad Commission of Texas that the following rules shall be
adopted for the Alto Bonito (Yegua) Field, Starr County, Texas.

RULE 1: The entire combined correlative interval from 6,360' to 6,604' as shown on
the HRI/HDIL Spectral Density Dual Spaced Neutron log of the Kerr-McGee Oil & Gas Onshore,
Frost National Bank -B- Lease Well No. 36 (API No. 42-427-33835), Por. 96, Ygnacio Trevino
Survey, A-273, Starr County, Texas, shall be designated as a single reservoir for proration purposes
and be designated as the Alto Bonito (Yegua) Field.

RULE 2: 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 total field allowable shall be allocated equally among the
proratable wells in the field.

NINETY FIVE percent (95%) of the total field 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 this field.

Done this the _____ day of ________________________, 2005.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by OGC Unprotested Master Order dated ____________, 2005)