

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

**OIL AND GAS DOCKET
NO. 04-0242584**

**IN THE JENNINGS (WILCOX
CONSOLIDATED) FIELD, ZAPATA
COUNTY, TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS FIELDS INTO THE JENNINGS (WILCOX
CONSOLIDATED) FIELD AND ADOPTING FIELD RULES FOR THE
JENNINGS (WILCOX CONSOLIDATED) FIELD
ZAPATA COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on May 4, 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.

Therefore, it is ordered by the Railroad Commission of Texas that the Jennings, W. (Wilcox 7150), Jennings, W. (Wilcox 7300), Jennings, W. (Wilcox 7600), Jennings, W. (Wilcox 7700), Jennings, W. (Wilcox 7900), Jennings, W. (Wilcox 8200), Jennings, W. (Wilcox 11,750), Jennings, West (Wilcox 7750), Jennings, W. (10,300 Wilcox), Jennings, W. (10,500 Wilcox), Horseshoe Ridge (W-4), Horseshoe Ridge (1st Hinnant) and Martinez (Hinnant) Fields are consolidated into the new field designation to hereafter be known as the Jennings (Wilcox Consolidated) Field (RRC ID. No. 46194-550), Zapata County, Texas.

It is further ordered by the Commission that the following operating rules for the Jennings (Wilcox Consolidated) Field are hereby adopted and as hereinafter set out:

RULE 1: The entire correlative interval from 7,095' to 10,200' TVD as shown on the Array Induction, Litho Density Compensated Neutron Log of the Devon Energy, Jennings Lease Well No. 71, (API No. 42-505-34247) J.M. Peredo Survey, A-73, Zapata County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Jennings (Wilcox Consolidated) Field.

RULE 2: No well for oil or 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 TWELVE HUNDRED (1200) feet 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. 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 will remain FORTY (40) acres.

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 total field allowable shall be allocated equally among the individual proratable wells producing from this 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.

Further, it is ordered by the Railroad Commission of Texas that suspension of the allocation formula in the Jennings (Wilcox Consolidated) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Jennings (Wilcox Consolidated) Field drops below 100% of deliverability. If the market demand for gas in the Jennings (Wilcox Consolidated) Field drops below 100% of deliverability while the allocation formula is suspended, the operator shall immediately notify the Commission and the allocation formula shall be immediately reinstated. Failure to give such notice to the Commission may result in a fine (as provided for in Tex. Nat. Res. Code §86.222) for each day the operators fail to give notice to the Commission.

Done this the _____ day of _____, 2005.

RAILROAD COMMISSION OF TEXAS

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