

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

**OIL AND GAS DOCKET
NO. 04-0244552**

**IN THE ORCONES (FRIO-VKSBG
CONS.) FIELD, DUVAL COUNTY,
TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS FIELDS INTO THE ORCONES (FRIO-VKSBG CONS.)
FIELD AND ADOPTING FIELD RULES FOR THE
ORCONES (FRIO-VKSBG CONS.) FIELD
DUVAL COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on November 17, 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 fields as shown in Atlee Field, Atlee (4900) Field, Good Friday (Hilda Sand) Field, Lyle Wilson (Yegua 6670) Field, Orcones (5200) Field, Orcones (5200-Oil) Field, Orcones (Hockley-Woodley), Atlee (Hiawatha) Field, Atlee, NE. (Frio 2450) Field, Atlee, NE. (6500) Field, Good Friday (Atlee) Field, Lyle Wilson (Yegua 7150) Field, Orcones (Hockley-Teddlie) Field, Orcones (Hockley-Parr) Field, Orcones (4900 Frio) Field, Orcones (5200) Field, Orcones (Hiawatha) Field, Orcones (Delores) Field, Orcones (Bazan) Field and Orcones, South (Hockley-Parr) Fields are consolidated into the new field designation to hereafter be known as the Orcones (Frio-Vksbg Cons.) Field (RRC ID. No. 67558-200), Duval County, Texas. Further, the Orcones (Frio-Vksbg Cons.) Field is classified as Associated-Prorated and the gas wells shall not be subject to allowables pursuant to Statewide Rule 49(b).

It is further ordered by the Commission that the following operating rules for the Orcones (Frio-Vksbg Cons.) Field are hereby adopted and as hereinafter set out:

RULE 1: The entire correlative interval from 2,470' to 7,590' as shown on the High Definition Induction Log, Digital Acoustic, Gamma Ray Log of the Magnum Producing, LP, Hilda Parr Lease Well No. 101 (API No. 42-131-38752), Andres Garcia Hrs. Survey, A-657, Duval County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Orcones (Frio-Vksbg Cons.) 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 between

well spacing. 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 3a: 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 prorable 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 prorable wells producing from this field.

RULE 3b: The daily allowable production of oil from individual wells completed in the Orcones (Frio-Vksbg Cons.) Field shall not be subject to allowable proration and said allowables shall be set at capacity/exempt.

Further, it is ordered by the Railroad Commission of Texas that suspension of the allocation formula in the Orcones (Frio-Vksbg Cons.) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Orcones (Frio-Vksbg Cons.) Field drops below 100% of deliverability. If the market demand for gas in the Orcones (Frio-Vksbg Cons.) 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)