

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

**OIL AND GAS DOCKET
NO. 04-0246817**

**IN THE MONTE CRISTO (43-57
CONS.) FIELD, HIDALGO COUNTY,
TEXAS**

**CONSOLIDATING VARIOUS MONTE CRISTO FIELDS,
ADOPTING A DESIGNATION OF MONTE CRISTO (43-57 CONS.) FIELD
FOR THE FIELD FORMED BY SUCH COMBINATION OF FIELDS
AND ADOPTING OPERATING RULES AND REGULATIONS
FOR THE CRISTO (43-57 CONS.) FIELD
HIDALGO COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on April 19, 2006, 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 listed in Attachment "A" are consolidated into the new field designation to hereafter be known as the Monte Cristo (43-57 Cons.) Field (RRC ID. No. 62556-361), Hidalgo County, Texas.

It is further ordered by the Commission that the following operating rules for the Monte Cristo (43-57 Cons.) Field are hereby adopted and as hereinafter set out:

RULE 1: The entire combined correlative interval from 7,350' to 8,600' as shown on the Computer Processed log of the Coastal O&G Corp., Hamman Ranch Lease Well No. 5, API No. 42-215-30214, Juan Bali Survey, A-290, Hidalgo County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Monte Cristo (43-57 Cons.) Field.

RULE 2: No well for gas shall hereafter be drilled nearer than FOUR HUNDRED AND SIXTY-SEVEN (467) feet to any property line, lease line, or subdivision line and no well shall be drilled nearer than SIX HUNDRED AND SIXTY (660) 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. 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.

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

RULE 3: The acreage assigned to the individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each standard proration unit so that an amount not to exceed a maximum of FORTY-FOUR (44) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of TWENTY-ONE HUNDRED (2,100) feet removed from each other. Each proration unit containing less than FORTY (40) acres shall be a fractional proration unit. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas. No double assignment of acreage will be accepted.

Operators shall file with the Commission certified plats of their properties in said field, which plats shall set out distinctly all of those things pertinent to the determination of the acreage credit claimed for each well; provided that if the acreage assigned to any proration unit has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled.

RULE 4: 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:

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.

FIVE percent (5%) of the total field allowable shall be allocated equally among the prorable wells in the field.

Further, it is ordered by the Railroad Commission of Texas that suspension of the allocation formula in the Monte Cristo (43-57 Cons.) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Monte Cristo (43-57 Cons.) Field drops below 100% of deliverability. If the market demand for gas in the Monte Cristo (43-57 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.

It is further ordered by the Railroad Commission of Texas that an exception to semi-annual G-10 deliverability testing requirements pursuant to Statewide Rule 28 in the Monte Christo (43-57 Cons.) is hereby approved subject to the following conditions:

1. Exception to performing Semi-Annual G-10 Deliverability testing is authorized so long as the allocation formula in that specific field is suspended. If the allocation formula is reinstated, semi-annually beginning with the first Semi-Annual G-10 test period immediately following reinstatement of the allocation formula.
2. Annual G-10 testing of wells in the subject field shall be performed during June, July, August, due September 1 and effective October 1.
3. For the other test period for the specific field, operators shall file the latest G-10 test results or the test results filed on its previous Annual G-10 Test Report, whichever is the more current, on the Commission's computer generated semi-annual G-10 test report for record purposes.
4. All of the requirements of Statewide Rule 28 shall remain in effect except for the semi-annual well testing requirement.

Done this 16th day of May, 2006.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by OGC
Unprotested Master Order dated May 16, 2006)**

ATTACHMENT "A"

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| Monte Christo (43) | 62556 360 |
| Monte Christo (46) | 62556 400 |
| Monte Christo (47) | 62556 420 |
| Monte Christo (48) | 62556 440 |
| Monte Christo (49) | 62556 445 |
| Monte Christo (50) | 62556 450 |
| Monte Christo (50A) | 62556 451 |
| Monte Christo (50-A, South) | 62556 453 |
| Monte Christo (50B) | 62556 455 |
| Monte Christo (50-B, South) | 62556 460 |
| Monte Christo (51) | 62556 475 |
| Monte Christo (52) | 62556 490 |
| Monte Christo (56-A) | 62556 530 |
| Monte Christo (56-B) | 62556 535 |
| Monte Christo (57) | 62556 540 |
| Monte Christo (57-A) | 62556 545 |
| Monte Christo (57-B) | 62556 550 |
| Monte Christo (57-C) | 62556 555 |
| Monte Christo (57 South) | 62556 563 |