

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

**OIL AND GAS DOCKET
NO. 04-0250221**

**FINAL ORDER
CONSOLIDATING VARIOUS FIELDS INTO A NEW FIELD CALLED
THE MIDWAY, SOUTH (CONSOLIDATED) FIELD AND
ADOPTING FIELD RULES FOR THE
MIDWAY, SOUTH (CONSOLIDATED) FIELD
SAN PATRICIO COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on February 7, 2007, 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 on Appendix A located in San Patricio County, Texas, are hereby combined into a new field called the Midway, South (Consolidated) Field (No. 61159290):

It is further ordered that the following rules are adopted for the Midway, South (Consolidated) Field:

RULE 1: The entire correlative interval from 10,700 feet to 14,300 feet, as shown on the log of the Edwin L. Cox, H. Schmidt No. 1, API No. 409-31238, San Patricio Co. Sch. Land Survey, A-235, San Patricio County, shall be designated as a single reservoir for proration purposes and be designated as the Midway, South (Consolidated) Field.

RULE 2: No gas well 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 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. The Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission determines 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 an individual gas well 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 contain more than FORTY (40) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each proration unit so that an amount not to exceed a maximum of FORTY FOUR (44) acres may be assigned. The two farthestmost points of any proration unit shall not be in excess of TWO THOUSAND 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.

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 Midway, South (Consolidated) Field shall be designated as an associated prorated field. The daily allowable production of gas from individual wells completed in 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 prorable 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 prorable wells producing from the field.

It is further ordered by the Railroad Commission of Texas that the application of EOG Resources for suspension of the allocation formula in the Midway, South (Consolidated) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Midway, South (Consolidated) Field drops below 100% of deliverability. If the market demand for gas in the Midway, South (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.

It is further ordered that completions in the Midway South (Bank), Midway, South (Frio Deep), Midway, South (Shell Deep) and Midway, South (Shell Deep II) Fields retain tight gas sand status as adopted in Oil & Gas Docket Nos.: 04-0240628, 04-0248490 and 04-0246599.

It is further ordered that completions in the Midway, South (Frio Deep II) Field retain permanent gas well classification per Oil & Gas Docket No. 04-0242336.

Done this 6th day of March, 2007.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated March
6, 2007)**

Attachment "A"

Field Name

Field Number

MIDWAY, SOUTH (BANK)	61159215
MIDWAY, SOUTH (FRIO DEEP)	61159300
MIDWAY, SOUTH (FRIO DEEP II)	61159302
MIDWAY, SOUTH (SHELL DEEP)	61159715
MIDWAY, SOUTH (SHELL DEEP II)	61159720