

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

**OIL AND GAS DOCKET
NO. 04-0250905**

**FINAL ORDER
CONSOLIDATING VARIOUS HARGILL FIELDS INTO A NEW FIELD CALLED
THE HARGILL (FRIO CONS.) FIELD AND
ADOPTING FIELD RULES FOR THE
HARGILL (FRIO CONS.) FIELD
HIDALGO AND WILLACY COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on April 17, 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 Hargill (8850) Field (No. 39060300), Hargill (10000) Field (No. 39060333), Hargill (11000 Sand) Field (No. 39060666) and the Hargill (11400 Frio) Field (No. 39060700) located in Willacy and Hidalgo Counties, Texas, are hereby combined into a new field called the Hargill (Frio Cons.) Field (No. 39060200):

It is further ordered that the following rules are adopted for the Hargill (Frio Cons.) Field:

RULE 1: The entire correlative interval from 8,860 feet to 13,000 feet, as shown on the log of the Magnolia Petroleum Co., Hidalgo-Willacy Oil Co. No. 1, API No. 215-00929, "Las Mestenas" MT LMR S/D, Lot 2 Survey, A-75, Hidalgo County, shall be designated as a single reservoir for proration purposes and be designated as the Hargill (Frio Cons.) Field.

RULE 2: No oil or gas well shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line or subdivision line and there is no between-well spacing limitation for wells in this field. 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. The standard drilling unit shall remain forty (40) acres per well.

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

RULE 3: The subject field shall be designated as associated-prorated. 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 proratable 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 proratable wells producing from the field.

It is further ordered that the Hargill (Frio Cons.) Field shall be classified as salvage, with no regulatory limitation on oil or casinghead gas production.

Done this 30th day of May, 2007.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated May 30,
2007)**