

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

**OIL AND GAS DOCKET
NO. 04-0257211**

**IN THE LA SAL VIEJA (FRIO CONS)
FIELD, WILLACY AND HIDALGO
COUNTIES, TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS LA SAL VIEJA FIELDS INTO
THE LA SAL VIEJA (FRIO CONS) FIELD AND
ADOPTING FIELD RULES FOR THE
LA SAL VIEJA (FRIO CONS) FIELD
WILLACY AND HIDALGO COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on June 25, 2008, 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 following fields located in Willacy and Hidalgo Counties, Texas, are hereby combined into a new field called the La Sal Vieja (Frio Cons) Field, Field ID No. 51011-050.

<u>FIELD NAME</u>	<u>FIELD ID NUMBER</u>
La Sal Vieja (Frio 10,700)	51011 058
La Sal Vieja (Frio 10,800)	51011 116
La Sal Vieja (Frio 10,950)	51011 121
La Sal Vieja (Frio 11,000)	51011 123
La Sal Vieja (Frio 11,100)	51011 125
La Sal Vieja (Frio 11,360)	51011 130
La Sal Viejo (Nuevo)	51011 140
La Sal Vieja (Oberg)	51011 174

It is further ordered by the Commission that the following rules are hereby adopted for the La Sal Vieja (Frio Cons) Field:

RULE 1: The entire correlative interval from 10,226 feet to 11,502 feet, as shown on the Atlas Induction Electric Log of the Mitchell Energy Corporation - B. F. Cox Lease Well No. 2 (API No. 42-489-30103), Willacy County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the La Sal Vieja (Frio Cons) Field.

RULE 2: No well for 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 ONE THOUSAND TWO HUNDRED (1,200) 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 in either field. 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.

RULE 3: The acreage assigned to an individual gas well shall be known as a proration unit. The standard drilling and proration units are established hereby to be SIX HUNDRED FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED FORTY (640) 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 SEVEN HUNDRED FOUR (704) acres may be assigned. Each proration unit containing less than SIX HUNDRED FORTY (640) 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.

An operator, at his option, shall be permitted to form optional drilling and proration units of FORTY (40) acres.

There is no maximum diagonal limitation in the subject field and operators are not required to file Form P-15 and plats.

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

RULE 4: The La Sal Vieja (Frio Cons) Field shall be classified as non-associated. 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:

TWENTY FIVE percent (25%) of the field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

SEVENTY FIVE percent (75%) 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 by the Commission that the application of Wagner Oil Company for suspension of the allocation formula in the La Sal Vieja (Frio Cons) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the La Sal Vieja (Frio Cons) Field drops below 100% of deliverability. If the market demand for gas in the La Sal Vieja (Frio 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.

Wells in the subject fields shall be transferred into the La Sal Vieja (Frio Cons) Field without requiring new drilling permits and plats.

Done this 15th day of July, 2008.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated July 15,
2008)**