

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

**OIL & GAS DOCKET NO. 01-0246234    APPLICATION OF CINCO NATURAL RESOURCES CORP. TO CONSIDER REDUCTION OF THE AMOUNT OF FINANCIAL SECURITY REQUIRED PURSUANT TO STATEWIDE RULE 78(G) AND TO CONSIDER AN EXCEPTION TO THE FINANCIAL SECURITY REQUIREMENTS FOR BAY WELLS IN VARIOUS RED FISH BAY FIELDS, NUECES COUNTY, TEXAS**

**FINAL ORDER**

The Commission finds that, after statutory notice in the above-numbered docket, heard on March 6, 2006, the examiner has made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record, 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 proposal for decision and the findings of fact and conclusions of law contained therein, and any exceptions and replies thereto, 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, subject to the following corrections:

Finding of Fact 15, subfindings (F) and (I) are corrected to identify "21" wells, instead of "24" wells;

Finding of Fact 18, subfindings (B) and (C) are corrected to read "\$1,607,866" instead of "\$1,487,866";

Finding of Fact 18, subfinding (C) is further corrected to read "\$1,800,000" instead of "\$1,860,000" and "30" instead of "31";

Conclusions of Law 12 and 13 are corrected to identify "16" wells instead of "17" wells; and

Conclusion of Law 14 is corrected to identify "24" wells instead of "25" wells.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Cinco Natural Resources Corp., to reduce the amount of financial assurance required pursuant to Statewide Rule 78(g) related to its recognition as the operator of the following bay well bores be

**GRANTED** for the current P-5 year, subject to Cinco Natural Resources Corp., maintaining in force and effect, the current financial security it has on file with the Commission in the amount of **SIX HUNDRED AND FIFTY THOUSAND DOLLARS (\$650,000.00), FIVE HUNDRED AND FORTY THOUSAND DOLLARS (\$540,000.00)**, of which is currently required for its operation of non-producing bay wells:

1. Well Nos. 1, 1U and 1L, located on State Tracts 341 and 342, API No. 355-30107, RRC ID Nos. 070607,070721, and 209458;
2. Well No. 1 located on State Tract 343, API No. 355-33595, RRC ID No. 199935;
3. Well No. 1 located on State Tract 343, API No. 355-33634, RRC ID No. 206082;
4. Well No. 1 located on State Tract 344, API No. 355-32248, RRC ID No. 111396;
5. Well No. 3 located on State Tract 348, API No. 355-02750, RRC ID No. 052271;
6. Well No. 4 located on State Tract 348, API No. 355-06219, RRC ID No. 044835;
7. Well No. 1 located on State Tract 348, API No. 355-32576, RRC ID No. 12539;
8. Well No. 2 located on State Tract 348, API No. 355-32575, RRC ID No. 127065;
9. Well No. 5 located on State Tract 349, API No. 355-02745, RRC ID No. 157066;
10. Well Nos. 2U and 2L located on State Tract 349, API No. 355-31297, RRC ID Nos. 081572 and 09257;
11. Well No. 9 located on State Tract 349, API No. 355-32571, RRC ID No. 05438;
12. Well No. 3 located on State Tract 350, API No. 355-31424, RRC ID No. 143219;
13. Well No. 5 located on State Tract 392, API No. 355-32820, RRC ID No.

- 13290;
14. Well No. 1 located on State Tract 395, API No. 355-30323, RRC ID No. 054731;
  15. Well No. 8 located on State Tract 396, API No. 355-31219, RRC ID No. 126833;
  16. Well Nos. 7, 7U and 7L located on State Tract 414, API No. 355-32573, RRC ID Nos. 186047, 02290 and 02298;
  17. Well No. 3 located on State Tract 414, API No. 355-02669, RRC ID Nos. 186038 and 04194;
  18. Well Nos. 4, 4U and 4L located on State Tract 414, API No. 355-02670, RRC ID Nos. 164604, 02290 and 02298;
  19. Well Nos. 5L and 5U located on State Tract 414, API No. 355-02671, RRC ID Nos. 02298 and 04194;
  20. Well Nos. 6, 6L, and 6U located on State Tract 414, API No. 355-02672, RRC ID Nos. 186060, 02290 and 04194;
  21. Well No. 3 located on State Tract 421, API No. 355-02652, RRC ID No. 043367;
  22. Well No. 1 located on State Tract 444, API No. 355-30632, RRC ID No. 11552;
  23. Well No. 1 located on State Tract 445, API No. 355-30722, RRC ID No. 074631; and,
  24. Well No. 1 located on State Tract 456, API No. 355-02553, RRC ID No. 012788.

It is further **ORDERED** by the Railroad Commission of Texas that Cinco Natural Resources Corp.'s request to be recognized as the operator of the following wells be **DENIED WITHOUT PREJUDICE** to renewal if Cinco Natural Resources Corp. obtains the right to operate:

1. Well No. 1 located on State Tract 352, API No. 355-30840, RRC ID No. 087886;
2. Well No. 4 located on State Tract 397, API No. 355-02694, RRC ID No.

077615;

3. Well No. 6 located on State Tract 397, API No. 355-02696, RRC ID No. 076517;
4. Well No. 2 located on State Tract 416, API No. 355-02653, RRC ID No. 08690; and,
5. Well No. 4 located on State Tract 416, API No. 355-02655, RRC ID No. 12740.

Each exception to the examiner's proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after it is actually mailed to the parties by the Commission. A party is presumed to have been notified of the Commission's order 3 days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest within such 20-day period after the party's presumed notice, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

Done this 6th day of June 2006

**RAILROAD COMMISSION OF TEXAS**

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**CHAIRMAN ELIZABETH A. JONES**

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**COMMISSIONER MICHAEL L. WILLIAMS**

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**COMMISSIONER VICTOR G. CARRILLO**

**ATTEST:**

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**SECRETARY**