

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

**OIL AND GAS DOCKET
NO. 01-0275334**

**FOR THE SECOND ESCONDIDO
FORMATION, LA SALLE AND WEBB
COUNTIES, TEXAS**

FINAL ORDER

The Railroad Commission of Texas has received and docketed this application for a high cost/tight gas formation designation pursuant to 16 TAC §3.101, and after a hearing held on April 15, 2012, makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Lewis Petro Properties, Inc. (P-5 Operator No. 499978) requests a Railroad Commission of Texas certification that wells completed in the Second Escondido Formation in La Salle and Webb Counties, Texas, are completed in a high-cost / tight-gas formation pursuant to Statewide Rule 101. The current Second Escondido fields located in La Salle and Webb Counties, Texas, are listed below:

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Encinal (5800)	28977 666
La Cruz (Escondido)	50709 300
Owen (Olmos)	67885 400
Tri Bar (Escondido)	91080 300

2. Notice of the application was provided to all affected parties at least 21 days prior to the Commission review. No protests or comments were filed in response to this application.
3. The top of the applied for Second Escondido formation is found at an average depth of 6,375 feet and is contained within the correlative geologic interval from 6,275 feet to 6,477 feet as shown on the log of the Lewis Petro Properties, Inc. Stewart Trust State No. 1 Well (API No. 42-479-40556), H & GN RR CO Survey, Abs 3208, Sec 432, Webb County, Texas (Hearing Exhibit No 8).
4. The proposed correlative interval for the fields, within the requested area of the application, meets the Railroad Commission Statewide Rule 101 guidelines for a high cost/tight gas formation. The area is identified in the attached Hearing Exhibit No.1 and is approximately 306,000 acres in size.
 - a. 16 TAC §3.101(f)(3)(B) specifies that the in-situ horizontal permeability should not exceed 0.1 millidarcies, as determined by geometric mean or median methodology, in order to qualify as a high cost/tight gas formation.

- b. The proposed Second Escondido tight gas interval averages 202 feet in gross thickness within the requested tight gas area; the average formation in-situ permeability is 0.016 millidarcies;
- c. 16 TAC §3.101(f)(3)(B) specifies that the stabilized, pre-stimulation producing rate against atmospheric pressure, as determined by geometric-mean or median methodology, must not be expected to exceed 5 BOPD crude oil and 290 MSCF per day for vertical wells completed in the subject field interval.
- d. The calculated pre-stimulation stabilized absolute open flow rate for the requested tight gas area is 46 MSCF per day; wells completed in the subject field and located within the proposed area are not expected to produce more than 5 BOPD crude oil prior to stimulation.

CONCLUSIONS OF LAW

1. Proper notice was issued to all affected persons as required by the applicable codes and regulatory statutes.
2. The Railroad Commission of Texas is the appropriate agency to make a determination concerning a high cost/tight gas formation certification pursuant to 16 TAC §3.101.
3. The area recognized in the application is considered to be a tight formation designation for State Severance Tax purposes and the Commission determines that wells completed in the Second Escondido formation within La Salle and Webb Counties, Texas, are producing from a high cost/tight gas formation.
4. Gas produced from the wells completed in the Second Escondido formation in La Salle and Webb Counties, Texas, is from a high cost/tight gas formation pursuant to 16 TAC §3.101.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that effective June 12, 2012, the application of Lewis Petro Properties, Inc. for the Commission's certification that the Second Escondido Formation within the correlative geologic interval from 6,275 feet to 6,477 feet as shown on the log of the Lewis Petro Properties, Inc. Stewart Trust State No. 1 Well (API No. 42-479-40556), H & GN RR CO Survey, Abs 3208, Sec 432, Webb County, Texas, is a tight gas formation and therefore produces high cost gas pursuant to 16 TAC §3.101, be and it is hereby approved.

Done this 12th day of June, 2012.

RAILROAD COMMISSION OF TEXAS

**Approved and signatures affixed by O&G
Unprotested Master Order dated June 12,
2012)**