

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

**OIL AND GAS DOCKET
NO. 03-0265447**

**IN THE OYSTER BAYOU FIELD,
CHAMBERS COUNTY, TEXAS**

**FINAL ORDER
APPROVING THE APPLICATION OF DENBURY ONSHORE, LLC
FOR UNITIZATION, SECONDARY RECOVERY AUTHORITY
AND ENTITY FOR DENSITY AUTHORITY
IN THE OYSTER BAYOU FIELD
CHAMBERS COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket, on the application of Denbury Onshore, LLC heard on May 27, 2010, the presiding examiners have 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 on June 22, 2010 in its offices in Austin, Texas.

The Commission, after review and due consideration of the examiners' 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 Oyster Bayou Field Unit in the Oyster Bayou Field, Chambers County, Texas, as shown by plat submitted, be and is hereby approved as a Unit for secondary recovery purposes in the Oyster Bayou Field, subject to the following terms and conditions:

1. The Railroad Commission of Texas retains all powers and duties with regard to conservation of oil and gas in this field, and no proration order of the Commission will be promulgated pursuant to the terms of the unit agreement; and the allocation formula for the wells included in the agreement shall remain and continue in full force and effect as if the agreement had not been approved.
2. The proration units as established for the individual wells within the unitized area prior to the approval of the unitization agreement are hereby adopted, approved, and continued in effect for allowable allocation purposes for such wells unless the unit operator elects to revise the proration units.
3. For proration purposes, the unitized area will be considered a single tract.
4. The unit operator shall file with the Railroad Commission, in addition to the production report for the unit, a supplemental production report for each individual tract that is committed to the unit where any non-unitized interest exists, showing all things pertinent so that the owner of such non-unitized

interest may have access to public records showing the status of his interest. The Supplemental Production Reports will document oil and gas production volumes determined by the method set out in the adopted findings of fact. Any deviation from this method must be submitted to the Director of the Oil and Gas Division or his delegate for approval, with notice to the non-unitized interest owner.

5. In order to protect unsigned ownership, when 100% of the royalty and working interest owners in a tract have not joined the unit the operator is not authorized to convert the last producing well on that tract to an injector unless an exception is granted after notice and hearing.
6. All injection authority and each injection well within the unitized area is hereby made subject to the terms and conditions of the Texas Water Code, §27.0511 (Vernon 1988) if fresh water is used.

Further, it is ordered by the Railroad Commission of Texas that Denbury Onshore, LLC. be and is hereby authorized to conduct secondary recovery operations on its Oyster Bayou Field Unit, Oyster Bayou Field, Chambers County, Texas, subject to the following terms and conditions:

1. All injection authority within the unitized area previously granted by the Commission is hereby made subject to the terms and conditions of this order and the Environmental Services Section is hereby authorized to issue amended injection permits in accordance with normal procedure as necessary to reflect the terms and conditions contained in this order or as later directed by the Commission.
2. The operator may expand or modify the proposed injection facilities without additional hearing for Commission approval of such expansion or modification, with respect to secondary recovery authorization, but each injection well remains subject to the filing requirements of Statewide Rule 46 including Commission Form H-1, "Application to Inject Fluid Into a Reservoir Productive of Oil or Gas" for injection wells not previously permitted as such.
3. The unit operator must submit application for injection well permits to the Environmental Services Section and receive such permits prior to commencing injection pursuant to this order.

It is further ordered by the Railroad Commission of Texas that Denbury Onshore, LLC be granted exception to the density and spacing rules of the Oyster Bayou Field for its Oyster Bayou Field Unit, subject to the following terms and conditions:

1. The unit's density will not exceed that authorized by applicable field rules, within the limits of the unit.

2. That no well under the provisions of this order will be drilled closer than the applicable lease/unit line spacing rule without first having given 10 days notice to offset operators and after public hearing, if protest to such proposed location is filed with the Commission.
3. That all applications to drill wells (Form W-1) under the authority of this order be submitted to the Rule 37 Department for approval.

Effective this 22nd day of June , 2010.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by OGC
Unprotested Master Order dated June 22, 2010)**