RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET IN THE TWO TEE (TANNEHILL)
NO. 09-0226278 FIELD, KNOX COUNTY, TEXAS

FINAL ORDER
APPROVING THE APPLICATION OF ERNEST ANGELO JR.
FOR UNITIZATION AND SECONDARY RECOVERY AUTHORITY
IN THE TWO TEE (TANNEHILL) FIELD
KNOX COUNTY, TEXAS

The Commission finds that after statutory notice in the above-numbered docket, on the application
of Ernest Angelo Jr. heard on November 8, 2000, 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 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 McFaddin (Tannehill) Unit in
the Two Tee (Tannehill) Field, Knox County, Texas, as shown by plat submitted, be and is hereby approved
as a Unit for secondary recovery purposes in the Two Tee (Tannehill) 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 Ernest Angelo Jr. is hereby authorized to conduct secondary recovery operations on its McFaddin (Tannehill) Unit, Two Tee (Tannehill) Field, Knox 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.

Effective this 20th day of November, 2000

RAILROAD COMMISSION OF TEXAS

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CHAIRMAN MICHAEL L. WILLIAMS

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COMMISSIONER CHARLES R. MATTHEWS

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COMMISSIONER TONY GARZA

ATTEST:

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Secretary