

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

**OIL AND GAS DOCKET
NO. 01-0246914**

**IN THE SANER RANCH (SAN MIGUEL) FIELD
MAVERICK COUNTY, TEXAS**

**FINAL ORDER
APPROVING THE APPLICATION OF THE EXPLORATION COMPANY
TO INJECT FLUID INTO A RESERVOIR
PRODUCTIVE OF OIL OR GAS IN THE CHITTIM "B" WELLS NO. 1374 & 2374
IN THE SANER RANCH (SAN MIGUEL) FIELD
MAVERICK COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on April 28, 2006, the presiding examiner 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 fully set out and separately stated herein.

Therefore it is ordered by the Railroad Commission of Texas that The Exploration Company be and is hereby authorized to conduct water injection operations in the Chittim "B" Lease Wells No. 1374 and 2374, Saner Ranch (San Miguel) Field, Maverick County, Texas, subject to the following special and standard conditions:

SPECIAL CONDITIONS:

1. That the injection program be conducted in an interval from 2,174 feet to 2,179 feet for Well No. 2374 and from 2,165 feet to 2,170 feet in Well No. 1374.
2. That injection volume of fresh water steam shall not exceed 3,000 barrels per day per well.
3. The maximum operating surface injection pressure shall not exceed 2,062 psig.
4. The authority to inject fluid is limited to the injection of fresh water as steam.
5. Injection shall be through tubing without the necessity of a packer

STANDARD CONDITIONS:

1. The District Office must be notified 48 hours prior to:
 - a) running tubing and setting packer
 - b) beginning any workover or remedial operation, and
 - c) conducting any required pressure tests or surveys.
2. The wellhead must be equipped with a pressure observation valve for each annulus.
3. Prior to beginning injection, and subsequently after any workover, an annulus pressure test must be performed. The test pressure must equal the maximum authorized injection pressure or 500 psig., whichever is less, but must be at least 200 psig. The test must be performed and the results submitted in

accordance with the instructions of Form H-5. The mechanical integrity test shall be performed once every five (5) years.

- 4. Within 30 days after completion or any workover which results in a change in well completion, a new W-2 must be filed in duplicate with the District Office to show the current completion status of the well. The date that injection commenced or will commence must be included on the new Form W-2 or G-1.
- 5. The injection pressure and injection volume must be monitored at least monthly and reported annually on Form H-10 to the Commission's Austin Office.
- 6. Written notice of the intent to transfer the permit must be submitted to the Director of Underground Injection Control at least 15 days prior to the date the transfer will occur (File Form P-4).
- 7. A subject wells herein are authorized and permitted as cyclic steam injection and production wells and have an allowable assigned (if needed) that is exempt from proration.
- 8. This permit will expire when the Form W-3, Plugging Record, is filed with the Commission.
- 9. Unless otherwise required by conditions of the permit, completion and operation of the wells shall be in accordance with the information represented on the application (Forms H-1 and H-1A).
- 10. The project number shall be F 17029. Provided further that, should it be determined that such injection fluid is not confined to the approved strata, then the permission given herein is suspended and the fluid injection must be stopped until the fluid migration from such strata is eliminated.

Each exception to the examiners' 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.

This order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, 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 order is served on the parties.

Done this 8th day of August, 2006.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN ELIZABETH A. JONES

COMMISSIONER MICHAEL L. WILLIAMS

COMMISSIONER VICTOR G. CARRILLO

ATTEST:

Secretary