

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

**OIL AND GAS DOCKET
NO. 02-0248769**

**IN THE AUSTIN (WILCOX 12,300) FIELD,
GOLIAD COUNTY, TEXAS**

**FINAL ORDER
APPROVING THE APPLICATION OF KCS RESOURCES, INC.
FOR NEW FIELD DESIGNATION AND FIELD RULES
AUSTIN (WILCOX 12,300) FIELD
GOLIAD COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on October 6, 2006, the presiding examiners have 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; 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, and any exceptions and replies filed 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.

Therefore, it is ordered by the Railroad Commission of Texas that the application of KCS Resources, Inc. for new field designation for its Kathleen Jackson No. 2 is hereby approved. The new field shall be known as the Austin (Wilcox 12,300) Field, ID No. 04432 600, Goliad County, Texas.

It is further ordered that the following field rules are hereby adopted for the Austin (Wilcox 12,300) Field, Goliad County, Texas:

RULE 1: The entire correlative interval between 12,140 feet (TVD) and 13,579 feet (TVD), as shown on the log of the Kathleen Jackson No. 2 (API 175 33723), G. Barrera Survey, A-2, Goliad County, shall be designated as a single reservoir for proration purposes and be designated as the Austin (Wilcox 12,300) Field.

RULE 2: No gas well shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line or subdivision line and no well shall be drilled nearer than SIX HUNDRED SIXTY (660) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. The aforementioned distance is the minimum distance to allow an operator flexibility in locating a well. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired, application therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rule 37, which applicable provisions of said rule is incorporated herein by reference. The standard drilling unit shall be forty (40) acres per well.

RULE 3: The daily allowable production of gas from individual wells completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells in the following manner:

FIVE percent (5%) of the field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

NINETY-FIVE percent (95%) of the field's total allowable shall be allocated among the individual wells in the proportion that the deliverability of such well, as evidenced by the most recent G-10 test filed with the Railroad Commission bears to the summation of the deliverability of all proratable wells producing from the field.

It is further ordered that the Kathleen Jackson No. 3, Kathleen Jackson No. 4, and M. E. Martin No. 1 wells be classified in the Austin (Wilcox 12,300) Field.

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 _____ day of _____, 2006

RAILROAD COMMISSION OF TEXAS

Chairman Elizabeth A. Jones

Commissioner Michael L. Williams

Commissioner Victor G. Carrillo

ATTEST:

Secretary