

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

**OIL AND GAS DOCKET
NO. 03-0262487**

**IN THE MORIAN, NW (WILCOX) FIELD,
SAN JACINTO COUNTY, TEXAS**

**FINAL ORDER
APPROVING THE APPLICATION OF SANDHAWK ENERGY, LLC
FOR A NEW FIELD DESIGNATION AND ADOPTING FIELD RULES
FOR THE MORIAN, NW (WILCOX) FIELD
SAN JACINTO COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on August 13, 2009, the presiding examiner has 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 examiner's 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 application of Sandhawk Energy, LLC for a new field designation for its Morian Lease, Well Nos. 4 and 8, is hereby approved. The new field shall be known as the Morian, NW (Wilcox) Field (RRC Field No. 62908 500), San Jacinto County, Texas.

It is further **ORDERED** that the following Field Rules are hereby adopted for the Morian, NW (Wilcox) Field, San Jacinto County, Texas:

RULE 1: The entire correlative interval from 9,397 feet MD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 4 (API No. 42-407-30638), to 12,268 feet MD as shown on the log for the Sandhawk Energy, LLC - Morian Lease, Well No. 8 (API No. 42-407-30662), W.G. Logan Survey, A-24, San Jacinto County, Texas, shall be designated as the Morian, NW (Wilcox) Field.

RULE 2: No well for gas 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 NINE HUNDRED THIRTY THREE (933) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well, and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit. 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 Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference. The standard drilling unit shall remain forty (40) acres per well.

RULE 3: The daily allowable production of gas from individual wells completed in a non-associated gas reservoir of 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 total field 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 this field.

It is further ordered by the Railroad Commission of Texas that the application of Sandhawk Energy, LLC for suspension of the allocation formula in the Morian, NW (Wilcox) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Morian, NW (Wilcox) Field drops below 100% of deliverability. If the market demand for gas in the Morian, NW (Wilcox) Field drops below 100% of deliverability while the allocation formula is suspended, the operator shall immediately notify the Commission and the allocation formula shall be immediately reinstated.

It is further **ORDERED** that Operators shall not be required to file Form P-15 or plats for wells in the field.

It is further **ORDERED** that the following wells in the Drews Landing (Wilcox Cons)

Field shall be transferred into the Morian, NW (Wilcox) Field without requiring new drilling permits:

<u>WELL NAME</u>	<u>GAS ID NO.</u>	<u>API NO.</u>
Morian No. 3	229931	42-407-30639
Morian No. 4	225870	42-407-30638
Morian No. 5	234041	42-407-30644
Morian No. 8	235136	42-407-30662
Lazy M No. 2	248043	42-407-30676

Done this 29th day of September, 2009.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures
affixed by OGC Unprotected Master
Order dated September 29, 2009)**