

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

**OIL AND GAS DOCKET  
NO. 03-0248656**

**IN THE NEW ULM (LWR WILCOX  
CONS.) FIELD, COLORADO AND  
AUSTIN COUNTIES, TEXAS**

**FINAL ORDER  
CONSOLIDATING VARIOUS NEW ULM FIELDS INTO THE NEW ULM  
(LWR WILCOX CONS.) FIELD AND ADOPTING FIELD RULES FOR THE  
NEW ULM (LWR WILCOX CONS.) FIELD  
COLORADO AND AUSTIN COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on September 26, 2006, 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.

It is ordered by the Railroad Commission of Texas that the fields as listed in Attachment "A" are consolidated into the new field designation to hereafter be known as the New Ulm (Lwr Wilcox Cons.) Field (RRC ID. No. 65248-075), Colorado and Austin Counties, Texas. Further, the New Ulm (Lwr Wilcox Cons.) Field is classified as Associated-Prorated and the gas wells shall not be subject to allowables pursuant to Statewide Rule 49(b).

It is further ordered by the Commission that the following operating rules for the New Ulm (Lwr Wilcox Cons.) Field are hereby adopted and as hereinafter set out:

**RULE 1:** The entire correlative interval from 8,370' to 10,770' as shown on the High Resolution Induction Spectral Density, Dual Spaced Neutron log of the Strand Energy, Yelderman Lease Well No. 2 (API No. 42-015-30909), A. Kuyendall, L.P. Survey, A-243, Austin County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the New Ulm (Lwr Wilcox Cons.) Field.

**RULE 2:** No well for oil or gas shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line or subdivision line and there is between well spacing limitation. 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.

In applying this rule the general order of the Commission with relation to the subdivision of property shall be observed.

**RULE 3a:** The acreage assigned to the individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each standard proration unit so that an amount not to exceed a maximum of FORTY-FOUR (44) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of TWENTY-ONE HUNDRED (2,100) feet removed from each other. Each proration unit containing less than FORTY (40) acres shall be a fractional proration unit. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas. No double assignment of acreage will be accepted.

**RULE 3b:** The acreage assigned to the individual oil well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of TWENTY-ONE HUNDRED (2,100) feet removed from each other; provided however, that in the case of long and narrow leases or in cases where because of the shape of the lease such is necessary to permit the utilization of tolerance acreage, the Commission may after proper showing grant exceptions to the limitations as to the shape of proration units as herein contained. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil. No double assignment of acreage will be accepted.

If after the drilling of the last well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission.

Operators shall file with the Commission certified plats of their properties in said field, which plats shall set out distinctly all of those things pertinent to the determination of the acreage credit claimed for each well; provided that if the acreage assigned to any proration unit has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled.

**RULE 4a:** 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 total field allowable shall be allocated equally among the

individual prorable wells producing from this 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 prorable wells producing from this field.

**RULE 3b:** The daily allowable production of oil from individual wells completed in the New Ulm (Lwr Wilcox Cons.) Field shall not be subject to allowable proration or gas limit restriction and said allowables shall be exempt.

Further, it is ordered by the Railroad Commission of Texas that suspension of the allocation formula in the New Ulm (Lwr Wilcox Cons.) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the New Ulm (Lwr Wilcox Cons.) Field drops below 100% of deliverability. If the market demand for gas in the New Ulm (Lwr Wilcox Cons.) 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. Failure to give such notice to the Commission may result in a fine (as provided for in Tex. Nat. Res. Code §86.222) for each day the operators fail to give notice to the Commission.

Done this the 10th day of October, 2006.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by OGC  
Unprotested Master Order dated October 10, 2006)**

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>	<u>COUNTY</u>
New Ulm (Wilcox 9,200)	65248348	Austin
New Ulm (Wilcox 9,300)	65248522	Austin
New Ulm (Wilcox 9500)	65248600	Austin
New Ulm (Wilcox 9700)	65248650	Austin
New Ulm (Wilcox 9900)	65248670	Austin
New Ulm (Wilcox 10,100)	65248696	Austin
New Ulm (Wilcox 10200)	65248700	Austin
New Ulm (Wilcox 10,300)	65248754	Austin
New Ulm (Wilcox 10500)	65248780	Austin
New Ulm (Wilcox 10,600)	65248812	Austin
New Ulm (9450)	65248855	Austin
New Ulm (9700)	65248870	Austin
New Ulm (9800)	65248883	Austin
New Ulm (10400)	65248920	Austin
New Ulm, SW (9100)	65254400	Colorado
New Ulm, SW. (9200)	65254450	Colorado
New Ulm, SW. (9300)	65254460	Colorado
New Ulm, SW (9400)	65254500	Colorado
New Ulm, SW. (9450)	65254505	Austin
New Ulm, SW (9650)	65254560	Austin
New Ulm, SW (9750)	65254581	Austin
New Ulm, SW (9900)	65254700	Colorado
New Ulm, SW. (10,100)	65254750	Colorado
New Ulm, SW (10,300)	65254800	Colorado