

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

**OIL AND GAS DOCKET
NO. 04-0242747**

**IN THE FINLEY-WEBB (LOBO CONS)
FIELD, WEBB COUNTY, TEXAS**

**FINAL ORDER
COMBINING THE FINLEY-WEBB (5600), FINLEY-WEBB (5800) AND
FINLEY-WEBB (6300) FIELDS INTO A NEW FIELD DESIGNATION KNOWN AS THE
FINLEY-WEBB (LOBO CONS) FIELD, WEBB COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on May 23, 2005, 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 Finley-Webb (5600), Finley-Webb (5800) and Finley-Webb (6300) Fields, located in Webb County, Texas, be and they are hereby combined and recognized as one field, to be known as the Finley-Webb (Lobo Cons) Field (RRC Field No. 30950-475), Webb County, Texas; and from and after said effective date, all records and reports filed with the Commission will show such designation.

Further, it is ordered by the Railroad Commission of Texas that the following rules shall be adopted for the Finley-Webb (Lobo Cons) Field, Webb County, Texas.

RULE 1: The entire The entire combined correlative interval from 5,557' to 6,550' as shown on the type log of the Denali Oil & Gas Management, Callaghan Ranch Lease Well No. 64, (API No. 42-479-39061) J. Poitevent #171 Survey, A-1649, Webb County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Finley-Webb (Lobo Cons) Field.

RULE 2: No well for gas shall hereafter be drilled nearer than FOUR HUNDRED AND SIXTY-SEVEN (467) feet to any property line, lease line, or subdivision line and no well shall be drilled nearer than NINE HUNDRED AND 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 will remain FORTY (40) acres.

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

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 total field allowable shall be allocated equally among the prorable wells in 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 prorable wells producing from this field.

Further, it is ORDERED by the Railroad Commission of Texas that the allocation formula in the Finley-Webb (Lobo Cons) Field is suspended. The allocation formula may be reinstated administratively if the market demand for gas in the Finley-Webb (Lobo Cons) Field drops below 100% of deliverability. If the market demand for gas in the Finley-Webb (Lobo 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.

Further, it is ORDERED by the Railroad Commission of Texas that a blanket exception to Statewide Rule 10 for downhole commingling for all wells in the Finley-Webb (Upper Cons) Field and the Finley-Webb (Lobo Cons) Field, Webb County, Texas, be and is hereby approved. Such commingled production from wells as is produced from the subject leases shall be assigned to either the Finley-Webb (Upper Cons) Field or the Finley-Webb (Lobo Cons) Field at the operators discretion for proration purposes.

The operator of wells on the subject leases shall file the appropriate completion forms and/or other forms as required by the Commission when any well on the referenced leases is so downhole commingled and shall file at the same time the appropriate Commission required administrative Rule 10 Exception downhole commingling fee.

Done this the _____ day of _____, 2005.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by OGC
Unprotested Master Order dated _____,
2005)