

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

**OIL AND GAS DOCKET
NO. 04-0249446**

**IN THE LOS INDIOS (VICKSBURG
CONS.) FIELD, HIDALGO COUNTY,
TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS FIELDS INTO THE LOS INDIOS
(VICKSBURG CONS.) FIELD AND ADOPTING FIELD RULES FOR THE
LOS INDIOS (VICKSBURG CONS.) FIELD
HIDALGO COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on December 12, 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 Los Indios (Vicksburg Cons.) Field (RRC ID. No. 54955-780), Hidalgo County, Texas.

It is further ordered by the Commission that the following operating rules for the Los Indios (Vicksburg Cons.) Field are hereby adopted and as hereinafter set out:

RULE 1: The entire correlative interval from 9,900' to 15,970' as shown on the Dual Induction Spectral Density, DS N log of the Union Pacific Resources Co., Schaleben Lease Well No. 1 (API No. 42-215-31796), Tract 9, San Salvador Del Tule Grant, Juan Jose Balli Survey, A-290, Hidalgo County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Los Indios (Vicksburg Cons.) 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 there is no 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 3: The acreage assigned to an 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. There is no maximum diagonal limitation for proration units for any well completed in the Los Indios (Vicksburg Cons.) Field. Operators shall not be required to file a plat showing individual proration units for wells in the field or an individual Form P-15 for each well. However, the operator must file a plat showing all wells on the lease or unit listing all wells on the lease or unit and the number of acres in each well's proration unit.

RULE 4: 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 proratable 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 proratable wells producing from this field.

Further, it is ordered by the Railroad Commission of Texas that suspension of the allocation formula in the Los Indios (Vicksburg Cons.) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Los Indios (Vicksburg Cons.) Field drops below 100% of deliverability. If the market demand for gas in the Los Indios (Vicksburg 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 23rd day of January, 2007.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by OGC
Unprotested Master Order dated January 23, 2007)**

ATTACHMENT "A"

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Los Indios (L. Vicksburg AA)	54955475
Los Indios (L. Vicksburg BB)	54955480
Los Indios (Vicksburg Rosado)	54955787
Los Indios (Vicksburg 8000)	54955800
Los Indios (Vicksburg 9600)	54955806
Los Indios (Vicksburg 10000)	54955812
Los Indios (Vicksburg 12,600)	54955820
Los Indios (Vicksburg 12800)	54955830
Los Indios (Vicksburg 12,900)	54955835
Los Indios (Vicksburg 13,200)	54955845
Los Indios (10,900)	54955960
Los Indios (12,400 Stray)	54955980
Schaleben (10,060 Vicksburg)	81406700