

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

**OIL AND GAS DOCKET
NO. 04-0270026**

**IN THE T-C-B (VXBG CONSOLIDATED)
FIELD, JIM WELLS AND KLEBERG
COUNTIES, TEXAS**

**FINAL ORDER
CONSOLIDATING THE T.-C.-B. (LWR FRIO-UP VXBG) AND
T-C-B (LOWER VICKSBURG) FIELDS INTO A
NEW FIELD CALLED T-C-B (VXBG CONSOLIDATED) FIELD
AND ADOPTING FIELD RULES FOR THE
T-C-B (VXBG CONSOLIDATED) FIELD
JIM WELLS AND KLEBERG COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on April 27, 2011, 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 T.-C.-B. (Lwr Frio-Up Vxbg), ID No. 89945 204, and T-C-B (Lower Vicksburg), ID No. 89945 497, Fields located in Jim Wells and Kleberg Counties, Texas, are hereby combined into a new field called the T-C-B (Vxbg Consolidated), ID No. 89945 105, Field.

It is further **ORDERED** that the following Field Rules are adopted for the T-C-B (Vxbg Consolidated) Field:

RULE 1: The entire correlative interval from 7,890 feet to 12,625 feet as shown on the log of the EOG Resources, Inc. - KR Laguna Larga Lease, Well No. 801 (API No. 42-273-32532), Section 335, CCSD & RGNG RR Co. Survey, A-78, Kleberg County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the T-C-B (Vxbg Consolidated) 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. There is no between well spacing limitation for wells in this field. 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 shall be known as a proration unit. The standard drilling and proration units are established hereby to be EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) 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 EIGHTY EIGHT (88) acres may be assigned. Each proration unit containing less than EIGHTY (80) 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 shall be known as a proration unit. The standard drilling and proration units are established hereby to be EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) acres except as hereinafter provided. 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 EIGHTY (80) 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.

An operator, at his option, shall be permitted to form optional oil and gas drilling units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. There is no maximum diagonal limitation in this field.

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 field shall be classified as associated-prorated. 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:

TWENTY FIVE percent (25%) of the field's total allowable shall be allocated equally among all the individual prorable wells producing from the field.

SEVENTY FIVE percent (75%) 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 prorable wells producing from the field.

RULE 4b: The field is classified as salvage with no restriction on oil or casinghead gas.

It is further **ORDERED** by the Commission that the application of EOG Resources, Inc. for suspension of the allocation formula in the T-C-B (Vxbg Consolidated) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the T-C-B (Vxbg Consolidated) Field drops below 100% of deliverability. If the market demand for gas in the T-C-B (Vxbg Consolidated) 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.

Done this 24th day of May, 2011.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by
OGC Unprotested Master Order dated May 24,
2011)