

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

**OIL AND GAS DOCKET
NO. 04-0265624**

**IN THE EXSUN (LOBO CONS.) FIELD,
ZAPATA COUNTY, TEXAS**

**FINAL ORDER
AMENDING FIELD RULES FOR THE
EXSUN (LOBO CONS.) FIELD
ZAPATA COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on September 22, 2010, 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 field rules adopted in Final Order 04-0240293, effective December 7, 2004, for the Exsun (Lobo Cons.) Field, Zapata County, Texas, are re-numbered and amended as hereafter set out:

RULE 1: The entire correlative interval from the top of the Lobo Unconformity to the top of the Midway Shale as shown on the log of the Derly Well No. 1, API No. 505 33095, Juan Antonio Vidaurri Porcion 39, A-146, Zapata County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Exsun (Lobo Cons.) Field.

RULE 2: No well 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 ONE THOUSAND TWO HUNDRED (1,200) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. Provided, however, there is no minimum between-well spacing requirement between a well being permitted at least 660 feet from the nearest property line, lease line or subdivision line, and the other wells permitted, drilled or completed on the same lease, pooled unit or unitized tract. A well being permitted at a distance less than SIX HUNDRED SIXTY (660) feet from the nearest property line, lease line or subdivision line must be a minimum of ONE THOUSAND TWO HUNDRED (1,200) feet from any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract, or an exception to Rule 37 must be obtained.

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 therefore shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rule 37 and 38, which applicable provisions of said rule 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 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:

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 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 proratable wells producing from the field.

The allocation formula in the Exsun (Lobo Cons.) Field will remain suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the Exsun (Lobo Cons.) Field drops below 100% of deliverability.

Done this 2nd day of November, 2010.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by OGC Unprotested Master Order
dated November 2, 2010)**