

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

**OIL AND GAS DOCKET
NO. 03-0228057**

**IN THE SRALLA ROAD (YEGUA) FIELD,
HARRIS COUNTY, TEXAS**

**FINAL ORDER
APPROVING THE APPLICATION OF ETOCO, INC.
FOR NEW FIELD DESIGNATION AND ADOPTION OF FIELD RULES
FOR THE SRALLA ROAD (YEGUA) FIELD
HARRIS COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on May 18, 2001, 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 application of Etoco Inc. for new field designation to be known as the Sralla Road (Yegua) Field, ID No. _____, Harris County, Texas, is hereby approved.

It is further ordered by the Railroad Commission of Texas that the following field rules are hereby adopted for the Sralla Road (Yegua) Field.

RULE 1: The entire correlative interval from 10,367 (MD) feet to 10,411 (MD) feet as shown on the log of the Etoco Inc. - State of Texas Deep Unit Well No. 1, Jesse White Survey, A-83, Harris County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Sralla Road (Yegua) 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 no well shall be drilled nearer than ONE THOUSAND THREE HUNDRED TWENTY (1,320) 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.

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 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 THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of SIX THOUSAND FIVE HUNDRED (6,500) 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.

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 THREE HUNDRED TWENTY (320) acres, then and in such event the remaining unassigned acreage up to and including a total of ONE HUNDRED SIXTY (160) 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 4: The maximum daily oil allowable for a well in the field shall be determined by multiplying 1,500 barrels of oil per day by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for proration purposes, exclusive of tolerance acreage. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49(a) when applicable.

RULE 5: The permitted gas-oil ratio for all wells shall be SIX THOUSAND (6,000) cubic feet of gas per barrel of oil produced. Any oil well producing with a gas-oil ratio in excess of SIX THOUSAND (6,000) cubic feet of gas per barrel of oil produced shall be allowed to produce daily only that volume of gas obtained by multiplying its daily oil allowable, as determined by the allocation formula applicable to the well, by SIX THOUSAND (6,000). The gas volume thus obtained shall be known as the daily gas limit of the well. The daily oil allowable of the well shall then be determined by dividing its daily gas limit, obtained as herein provided, by its producing gas-

oil ratio in cubic feet per barrel of oil produced.

It is further ordered that these rules are temporary and effective until _____, _____, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and opportunity for hearing, should the evidence evaluated during review be insufficient to sustain spacing or proration unit rules, these temporary rules, on the Commission's own motion, may be modified or terminated.

All overproduction for the State of Texas Deep Unit lease is hereby canceled.

Effective this 5th day of June, 2001.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN MICHAEL L. WILLIAMS

COMMISSIONER CHARLES R. MATTHEWS

COMMISSIONER TONY GARZA

ATTEST:

Secretary