

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

**OIL AND GAS DOCKET  
NO. 02-0263917**

**IN THE TORO GRANDE (8700 SD)  
FIELD, JACKSON COUNTY, TEXAS**

**FINAL ORDER  
AMENDING FIELD RULES FOR THE  
TORO GRANDE (8700 SD) FIELD  
JACKSON COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on January 5, 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 the application of Dune Operating Company to amend the field rules for the Toro Grande (8700 SD) Field, adopted in Final Order No. 2-92,575, effective January 30, 1989, is hereby approved.

The field rules for the Toro Grande (8700 SD) Field, as amended, are as follows:

**RULE 1:** The entire correlative interval from 8,650 feet to 8,830 feet as shown on the Dual Induction Focused Log, Compensated Densilog, Compensated Neutron, Gamma Ray log of the LCRA., K.R. Miller MNTW Lease Well No. 1, API No. 239 32683, M. Marquez Survey, A-49, Jackson County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Toro Grande (8700 SD) Field.

**RULE 2:** No gas 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 TWELVE HUNDRED (1200) 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 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 acreage assigned 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. No proration unit shall contain more than FORTY (40) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each proration unit so that an amount not to exceed a maximum of FORTY FOUR (44) acres may be assigned. The two farthestmost points of any proration unit shall not be in excess of TWO THOUSAND ONE HUNDRED (2,100) feet removed from each other. Each proration unit containing less than FORTY (40) 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.

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 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:

NINETY-FIVE percent (95%) of the total field allowable shall be allocated among the individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all proratable wells producing from this field.

FIVE percent (5%) 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.

It is further ORDERED that the allocation formula in the Toro Grande (8700 SD) Field be suspended. The allocation formula may be reinstated administratively if the market demand for gas in the Toro Grande (8700 SD) Field drops below 100% of deliverability. If the market demand for gas in the Toro Grande (8700 SD) 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. It is further ORDERED by the Railroad Commission of Texas that overproduction be cancelled field wide for the Toro Grande (8700 SD) Field, Jackson County, Texas, is hereby approved, to be effective April 1, 2010.

Done this 9<sup>th</sup> day of March, 2010.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotected Master Order dated March  
9, 2010)**