

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

**OIL AND GAS DOCKET
NO. 04-0248137**

**IN THE SEELIGSON (CONSOLIDATED)
FIELD, JIM WELLS COUNTY, TEXAS**

**FINAL ORDER
ADDING A NEW RULE 1, AND AMENDING AND
RENUMBERING RULES 1, 2 AND 3 OF THE FIELD RULES
ADOPTED IN FINAL ORDER NO. 04-0204978
ISSUED EFFECTIVE JUNE 13, 1994, AS AMENDED,
FOR THE SEELIGSON (CONSOLIDATED) FIELD
JIM WELLS COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 28, 2006, the presiding examiner has made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record; 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 that the following Rule 1 be added to the field rules adopted in Final Order No. 04-0204978, issued effective June 13, 1994, as amended, for the Seeligson (Consolidated) Field, Jim Wells County, Texas.

RULE 1: The entire correlative interval from 6158 feet to 7187 feet as shown on the log of the Triad Energy Corporation P. Canales Lease, Well No. 138, API No. 249-31776, Section 64, Andres Canales Survey, A-74, Jim Wells County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Seeligson (Consolidated) Field.

It is further ordered by the Railroad Commission of Texas that Rules 1, 2 and 3 of the field rules adopted in Final Order No. 04-0204978, issued effective June 13, 1994, as amended, for the Seeligson (Consolidated) Field, Jim Wells County, Texas be and they are amended and renumbered as hereafter set out.

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 minimum distance required from any well 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 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 consist of more than FORTY (40) 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 FORTY-FOUR (44) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of TWO THOUSAND ONE HUNDRED (2100) 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. No double assignment of acreage will be accepted.

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:

TWENTY-FIVE percent (25%) of the total field allowable shall be allocated equally among the individual proratable wells producing from this field.

SEVENTY-FIVE percent (75%) 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.

Done this twenty-second day of August, 2006.

RAILROAD COMMISSION OF TEXAS
(Order approved and signatures affixed by
OGC Unprotested Master Order dated
August 22, 2006.)