

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

**OIL AND GAS DOCKET
NO. 04-0249518**

**IN THE MERCEDES (FRIO 11,900)
FIELD, HIDALGO COUNTY, TEXAS**

**FINAL ORDER
ADOPTING RULES AND REGULATIONS
FOR THE MERCEDES (FRIO 11,900) FIELD,
HIDALGO COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on December 1, 2006, 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 following rules shall be adopted for the Mercedes (Frio 11,900) Field, Hidalgo County, Texas.

RULE 1: The entire combined correlative interval from 10,628' to 11,946' subsurface depth as shown on the Schlumberger Dual Gamma Ray Induction log of the Suemaur Expl. & Prod., LLC, Torres GU Lease Well No. 1A, J.J. Ynojosa de Balli Survey, A-54, Hidalgo County, Texas shall be designated as a single reservoir for proration purposes and be designated as the Mercedes (Frio 11,900) Field.

RULE 2: No well for gas shall hereafter be drilled nearer than **THREE HUNDRED AND THIRTY (330)** feet to any property line, lease line, or subdivision line and no well shall be drilled nearer than **SIX HUNDRED AND SIXTY (660)** 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 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 TWENTY-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. No double assignment of acreage will be accepted.

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:

FIVE percent (5%) of the total field allowable shall be allocated equally among the proratable wells in the field.

NINETY-FIVE percent (95%) 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 19th day of December, 2006.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by OGC
Unprotested Master Order dated December 19, 2006)**