

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

OIL AND GAS DOCKET
NO. 02-0200375

IN THE ATKINSON (4250) FIELD, LIVE
OAK AND KARNES COUNTIES, TEXAS

FINAL ORDER
APPROVING THE APPLICATION OF KEBO OIL & GAS, INC.
FOR GAS STORAGE AUTHORITY
IN THE ATKINSON (4250) FIELD
LIVE OAK AND KARNES COUNTIES, TEXAS

RESCINDING THE PERMANENT FIELD RULES
AS ADOPTED IN ORDER NO. 2-59,664
EFFECTIVE NOVEMBER 6, 1969 AS AMENDED
IN THE ATKINSON (4250) FIELD
LIVE OAK AND KARNES COUNTIES, TEXAS

ADOPTING RULES AND REGULATIONS
FOR THE ATKINSON (4250) FIELD
LIVE OAK AND KARNES COUNTIES, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on January 6, 1993, the presiding examiners have 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 examiners' 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 effective February 22, 1993, the application of KEBO Oil & Gas, Inc. for gas storage authority in the Atkinson (4250) Field, Live Oak and Karnes Counties, Texas, be and it is hereby approved.

Further, it is ordered by the Railroad Commission of Texas that effective February 22, 1993:

1. The permanent field rules adopted in Final Order No. 2-59,664 as amended, are rescinded.

To: Mark Huentgen
From: LKH

Further, it is ordered by the Railroad Commission of Texas that effective February 22, 1993, the following rules shall be adopted for the Atkinson (4250) Field, Live Oak and Karnes Counties, Texas.

RULE 1: The entire correlative interval from 4,328 feet to 4,370 feet as shown on the Electric log of the Humble Oil & Refining Company - Atkinson Gas Unit 2 Well No. 2, Karnes County School Land A-168 Survey, Karnes County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Atkinson (4250) Field.

RULE 2: The Atkinson (4250) Field is hereby classified as a gas storage reservoir and all wells completed are hereby classified as gas storage wells.

- (a) Wells located within the gas storage unit shall not be subject to between well spacing and will not be subject to any per well density.
- (b) The spacing and density for all wells located in the Atkinson (4250) Field and outside of the proposed gas storage unit shall be governed by Statewide Rules.
- (c) Any gas storage well may be used for gas injection or gas withdrawal purposes.

RULE 3: Each injection well is subject to the filing requirements of Statewide Rule 46 including Commission Form H-1 "Application to Inject Fluid into a Reservoir Productive of Oil or Gas" for injection wells. The operator must submit application for injection well permits to the Underground Control Section and receive such permits prior to commencing injection.

RULE 4: Monthly reports shall be made to the Railroad Commission on applicable forms showing volumes of gas stored and withdrawn and volumes of liquid hydrocarbons recovered in the process of storage operations. Such reports shall be prepared by a party having knowledge of such operations, and shall include the following information:

- (a) The volume of gas injected during the month and pressure.
- (b) The volume of gas withdrawn from storage during the month and pressure.
- (c) The cumulative net volume remaining in storage at the reporting date.
- (d) The volume of liquid hydrocarbons produced during the month, if any.

RULE 5: Injection and withdrawal of gas volumes involved in such storage operation will not be limited, except as hereafter provided:

- (a) Injection and storage volumes will be controlled so that the reservoir pressure shall never exceed 1,798 psi bottom hole pressure.
- (b) Anytime withdrawals from the storage facility equal the volume of gas injected for storage, the storage operator shall not withdraw additional gas from the storage facility without first obtaining specific authority from the Commission.

RULE 6: Surface casing shall be of new or reconditioned pipe of proper weight and tested to withstand the known pressures in said field set and cemented at a depth not less than FIVE HUNDRED (500) feet below the surface of the ground, said amount of surface casing to be adequate to protect all fresh water sands.

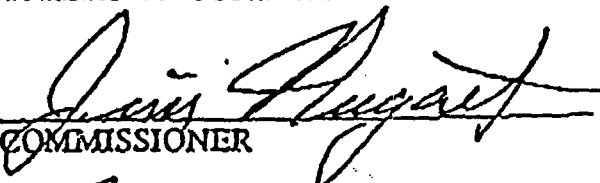
RULE 7: An operator hereafter drilling a well in this field or within the storage unit area for completion below the Atkinson (4250) gas storage reservoir shall block squeeze cement Atkinson (4250) interval from a point not less than 100 feet below the base of the Atkinson (4250) interval to a point not less than 150 feet above the top of the Atkinson (4250) interval as indicated on the electric log of the well. Compliance with this rule shall be considered final provided permission is first obtained from the Commission and, provided on completion of cementing operation, the operator files an affidavit from the cementing company indicating the Atkinson (4250) storage reservoir has been adequately cemented off from any productive horizon which may be found below the base of the Atkinson (4250) Field. A cement bond log will be required to indicate the top of the cement behind the pipe and the bonding to be at least 150 feet above the top of the Atkinson (4250) interval.

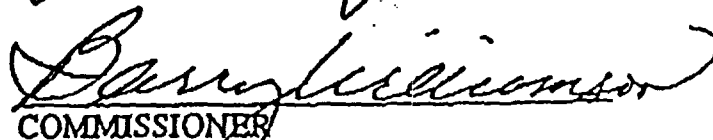
RULE 8: Any well which is drilled through the Atkinson (4250) storage reservoir and which is subsequently plugged-back and recompleted in a zone above the Atkinson (4250) storage reservoir must be adequately sealed off from the storage zone by setting a cement plug from the bottom of the hole to at least 150 feet above the top of the Atkinson (4250) storage zone. An affidavit from the cementing company stating the number of sacks of cement used and the top of the cement plug shall be considered compliance if within the stated parameters.

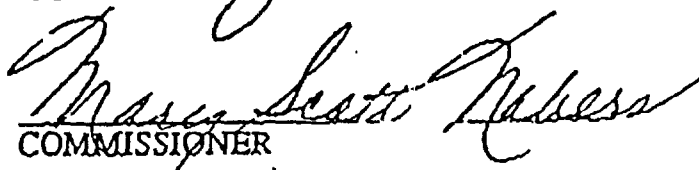
RULE 9: An allowable will not be assigned to a well completed in the Atkinson (4250) Field and outside the gas storage unit until after the Commission determines the amount of native gas, if any, attributable to the well.

Done this 22 day of February, 1993.

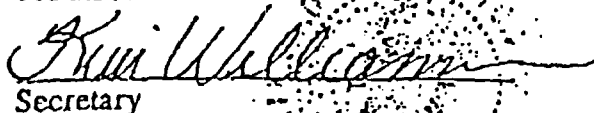
RAILROAD COMMISSION OF TEXAS


COMMISSIONER


COMMISSIONER


COMMISSIONER

ATTEST:


Secretary

THR/LB:amw