

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

**OIL AND GAS DOCKET  
NO. 03-0236417 & 03-0238718**

**IN THE SOUR LAKE, E. (PRICE) FIELD,  
HARDIN COUNTY, TEXAS**

**FINAL ORDER  
ADOPTING RULES AND REGULATIONS  
ADOPTING PRODUCTIVE ACREAGE  
AS THE ALLOCATION FORMULA  
FOR THE SOUR LAKE, E. (PRICE) FIELD  
HARDIN COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on April 20, May 24-47, and June 17-18, 2004, the presiding examiners have 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 examiners' report and proposal for decision, the findings of fact and conclusions of law contained therein, and any exceptions and replies thereto, 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 field rules be adopted for the Sour Lake, E. (Price) Field, Hardin County, Texas.

**RULE 1:** The entire correlative interval from 11,098', Measured Depth, to 11,218', Measured Depth, as shown on the electric log of the Crown Petroleum Corp. Black Stone Minerals Unit Lease, Well No. 3, API No. 42-199-32874, Walker Pettitt Lot 9 Survey, Hardin County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Sour Lake, E. (Price) Field.

**RULE 2:** No oil or 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 ONE THOUSAND TWO 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 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 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 ONE HUNDRED SIXTY (160) acres. No proration unit shall consist of more than ONE HUNDRED SIXTY (160) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of FOUR THOUSAND FIVE HUNDRED (4500) 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. No double assignment of acreage will be accepted.

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 ONE HUNDRED SIXTY (160) acres, then and in such event the remaining unassigned acreage up to and including a total of FORTY (40) 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.

An operator, at his option, shall be permitted to form optional drilling and fractional proration units of FORTY (40) acres, with a proportional acreage allowable credit for a well on fractional proration units. The two farthestmost points of a FORTY (40) acre fractional proration unit shall not be greater than TWO THOUSAND ONE HUNDRED (2100) feet removed from each other.

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 TWO (2) barrels 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. The determination of productive acreage in the Sour Lake, E. (Price) Field, Hardin County, Texas as set out below, is hereby approved. Production allocation of this Field will be based on this determination of productive acreage.

Black Stone Gas Unit	139.3 acres
T.P. Ranch Lease	46.1 acres

It is further **ORDERED** by the Commission that the Hanson Production Company T.P. Ranch Lease, Well No. 1-L and Well No. 1-U be and are treated as one completion for allowable purposes, and are hereby assigned to the Sour Lake, E. (Price) Field, Hardin County, Texas.

It is further **ORDERED** by the Commission that the application of Crown Petroleum Corporation to balance the Sour Lake, E. (Price) Field be and is hereby **DENIED**.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after it is actually mailed to the parties by the Commission; provided that if a motion for rehearing of the application is filed by any party at interest within such 20-day period, this order shall not become final until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Done this \_\_\_\_\_ day of \_\_\_\_\_, 2004

**RAILROAD COMMISSION OF TEXAS**

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**Chairman Victor G. Carrillo**

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**Commissioner Charles R. Matthews**

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**Commissioner Michael L. Williams**

**ATTEST:**

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**Secretary**