

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

**OIL AND GAS DOCKET
NO. 7C-0264718**

**IN THE PEGASUS (CONSOLIDATED)
FIELD, MIDLAND AND UPTON
COUNTIES, TEXAS**

**FINAL ORDER
CONSOLIDATING THE PEGASUS (SPRABERRY), PEGASUS (WOLFCAMP),
PEGASUS (CANYON) AND PEGASUS (PENNSYLVANIAN) FIELDS
INTO A NEW FIELD CALLED THE PEGASUS (CONSOLIDATED) FIELD
AND ADOPTING FIELD RULES FOR THE
PEGASUS (CONSOLIDATED) FIELD
MIDLAND AND UPTON COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on March 25, 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 following fields located in Midland and Upton Counties, Texas, are hereby combined into a new field called the Pegasus (Consolidated) Field (No. 70279 100):

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Pegasus (Spraberry)	70279 750
Pegasus (Wolfcamp)	70279 875
Pegasus (Canyon)	70279 075
Pegasus (Pennsylvanian)	70279 500

Wells in the subject fields and the thirty wells listed in Attachment A shall be transferred into the Pegasus (Consolidated) Field without requiring new drilling permits.

It is further **ORDERED** that the following Field Rules are adopted for the Pegasus (Consolidated) Field:

RULE 1: The entire correlative interval between 6,815 feet and 11,375 feet as shown on the log of the Mobil Producing TX. & N.M. Inc. - Pegasus Field Unit 3, Well No. 156 (API No. 42-329-10082), shall be designated as a single reservoir for proration purposes and be designated as the Pegasus (Consolidated) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line, or subdivision line. There is no between-well spacing limitation for wells in this field. 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 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 3a: 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 EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of THREE THOUSAND TWO HUNDRED FIFTY (3,250) 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 EIGHTY (80) 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 oil 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 (2,100) feet removed from each other.

RULE 3b: The acreage assigned to 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 EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) 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 ONE HUNDRED SEVENTY SIX (176) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of THREE THOUSAND TWO HUNDRED FIFTY (3,250) feet removed from each other. Each proration unit containing less than EIGHTY (80) 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.

An operator, at his option, shall be permitted to form optional gas 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 (2,100) feet removed from each other.

For all wells, 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 4a: The maximum daily oil allowable for each well in the subject field shall be 300 barrels of oil per day and the actual allowable for an individual well shall be determined by the sum total of the two following values:

1. Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing the maximum acreage authorized exclusive of tolerance acreage multiplied by SEVENTY FIVE percent (75%) and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well and the denominator of which is the maximum acreage authorized for a proration unit exclusive of tolerance acreage.
2. Each well shall be assigned an allowable equal to TWENTY FIVE percent (25%) of the maximum daily oil allowable above.

RULE 4b: The gas field shall be classified as associated-prorated. The daily allowable production of gas from individual wells completed in 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:

1. SEVENTY FIVE percent (75%) 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.
2. TWENTY FIVE percent (25%) of the field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

It is further **ORDERED** that the allocation formula in the Pegasus (Consolidated) Field is suspended. The allocation formula may be reinstated administratively if the market demand for gas in the Pegasus (Consolidated) Field drops below 100% of deliverability. If the market demand for gas in the Pegasus (Consolidated) 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.

Done this 20th day of April, 2010.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated April
20, 2010)**

ATTACHMENT A

<u>WELL</u>	<u>API NO.</u>	<u>LEASE NO.</u>	<u>FIELD NO.</u>
State Glass No. 209	329-35824	37071	85280 300
State Glass No. 206	329-34801	37071	85280 300
State Glass No. 208	329-35691	37071	85280 300
State Glass No. 207	329-34953	37071	85280 300
TXL "R" No. 5	329-35825	38739	85280 300
TXL "U" No. 501	461-03349	15487	85279 200
Ora "B" Holzgraf No. 5406	329-35698	15408	85279 200
Ora "B" Holzgraf No. 5402	329-00916	15408	85279 200
Ora "B" Holzgraf No. 5404	329-34958	15408	85279 200
Ora "B" Holzgraf No. 5407	461-35524	15408	85279 200
Ora "B" Holzgraf No. 5401	461-02803	15408	85279 200
Ora "B" Holzgraf No. 5405	461-34549	15408	85279 200
Muriel No. 5601W	461-02111	15847	85279 200
TXL No. 5	461-35523	15679	85279 200
TXL No. 4	461-34654	15679	85279 200
Wilson No. 14	461-34956	15989	85279 200
Wilson No. 15	461-35548	15989	85279 200
TXL "CC" No. 1	461-34653	15695	85279 200
Blackwell No. 2	461-34652	15647	85279 200
Blackwell No. 3	461-34955	15647	85279 200
Blackwell No. 4	461-35313	15647	85279 200
Blackwell No. 4701	461-32879	15647	85279 200
Blackwell No. 5	461-35583	15647	85279 200
TXL "SS" No. 4602	461-33092	15652	85279 200
Virgil Powell No. 4210	461-03287	15265	85279 400
Virgil Powell "B" No. 4805	461-33008	15506	85279 200
Virgil Powell "B" No. 4806	461-33091	15506	85279 200
Virgil Powell "B" No. 4807	461-36362	15506	85279 200
TXL "G" No. 4005	461-03343	15249	85279 400
TXL "I" No. 2605	461-34571	15625	85279 400