

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION**

**OIL AND GAS DOCKET
NO. 7C-0262268**

**IN THE LUCKY MAG (CONSOLIDATED)
FIELD, IRION COUNTY, TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS LUCKY MAG FIELDS
INTO THE LUCKY MAG (CONSOLIDATED)
AND ADOPTING FIELD RULES,
FOR THE LUCKY MAG (CONSOLIDATED) FIELD,
IRION COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 22, 2009, 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 and any potential Wildcat accumulations within the consolidated correlative interval located in Irion County, Texas, are hereby combined into a new field called the Lucky Mag (Consolidated) Field, Field ID No. 55504 300.

<u>FIELD NAME</u>	<u>FIELD ID NUMBER</u>
Lucky Mag (3200 Sand)	55504 800
Lucky Mag (Clearfork)	55504 190
Lucky-Mag (Clear Fork, Lower)	55504 200
Lucky Mag (Wolfcamp)	55504 675
Lucky-Mag (Divide Sand)	55504 400

It is further ordered by the Commission that the following rules are hereby adopted for the Lucky Mag (Consolidated) Field:

RULE 1: The entire correlative interval from 3,065 feet to 6,620 feet as shown on the Gamma Ray and Induction Log of the Strand Energy, LC - Hamilton Lease Well No. 6, Section 695, J. Lindley Survey, A-1117, Irion County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Lucky Mag (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 and no well shall be drilled nearer than TWELVE 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 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 an 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 contain more than EIGHTY (80) acres. The two farthestmost points of 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 TWENTY (20) 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 proration units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthermost 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.

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 each well in the subject field shall be based on the 1965 yardstick allowable and the actual allowable for an individual well shall be determined by the sum total of the two following values:

- a. 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 95% and by then multiplying this value by that 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.
- b. Each well shall be assigned an allowable equal to 5% of the maximum daily oil allowable above.

It is further ordered by the Railroad Commission of Texas that each well in the Lucky-Mag (Consolidated) Field, Irion County, Texas, is hereby granted permission to produce under increased net gas-oil ratio authority with a casinghead gas limit of 500 MCFGPD. It is further ordered that each well's oil allowable shall not be penalized unless the above permitted casinghead gas limit is exceeded.

Done this 18th day of August, 2009.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated August
18, 2009)**