

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

**OIL AND GAS DOCKET
NO. 09-0261060**

**IN THE CONLEY (CONS.) FIELD,
HARDEMAN COUNTY, TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS CONLEY FIELDS INTO
THE CONLEY (CONS.) FIELD AND
ADOPTING FIELD RULES FOR THE
CONLEY (CONS.) FIELD
HARDEMAN COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on March 17, 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 located in Hardeman County, Texas, are hereby combined into a new field called the Conley (Cons.) Field, Field ID No. 20116 200.

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Conley (Ellenburger)	20116 332
Conley (Miss.)	20116 498
Conley (Osage)	20116 664

It is further **ORDERED** by the Commission that the following Field Rules are hereby adopted for the Conley (Cons.) Field:

RULE 1: The entire correlative interval from 7,740 feet to 8,272 feet, as shown on the log of the Shell Oil Company - C. G. Conley Lease, Well No. 5 (API No. 42-197-00166), located in Section 81, Block H, W&NW RR Co. Survey, Hardeman County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Conley (Cons.) Field.

RULE 2: No well for oil shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line, or subdivision line and no vertical well shall be drilled nearer than THREE HUNDRED THIRTY (330) 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 in either field. 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.

Provided, however, that for purposes of spacing for horizontal wells, the following shall apply:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced into the wellbore from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
- b. All take points in a horizontal drainhole well shall be a minimum of THREE HUNDRED THIRTY (330) feet from the property line, lease line, or subdivision line. A permit or an amended permit is required for any take point closer to the lease line than the lease line spacing distance, including any perforations added in the vertical portion or the curve of a horizontal drainhole well.

Notwithstanding the above, there shall be no minimum requirement for between well spacing between horizontal and vertical wells and horizontal and horizontal wells.

In addition to the penetration point and the terminus of the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first and last take points must also be identified on the drilling permit application (remarks section) and plat. Operators shall file an as-drilled plat showing the path, penetration point, terminus and the first and last take points of all drainholes in horizontal wells, regardless of allocation formula.

For the purpose of assigning additional acreage to a horizontal well pursuant to Rule 86, the distance from the first take point to the last take point in the horizontal drainhole shall be used in such determination, in lieu of the distance from penetration point to terminus.

RULE 3: The acreage assigned to an individual oil well 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. 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. There is no maximum diagonal limitation in this field.

An operator, at his option, shall be permitted to form optional drilling and proration units of FORTY (40) acres.

For the determination of acreage credit in this field, operators shall file for each well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or unit for proration purposes. Provided further, that if the acreage assigned to any well 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. Operators in this field are exempt from the requirements of Rule 86(f)(4) entitled Proration Unit Plat.

RULE 4: The maximum daily oil allowable for a well in the field shall be determined by multiplying the applicable yardstick allowable for a well in the field 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.

Wells in the subject fields shall be transferred into the Conley (Cons.) Field without requiring new drilling permits.

It is further **ORDERED** by the Commission that the application of Echo Production, Inc. for exceptions to Statewide Rule 10 for all wells in the Conley (Cons.) and Conley (Palo Pinto) Fields, Hardeman County, Texas is hereby approved. For wells which are commingled in the subject fields after the effective date of this order, commingled production shall be assigned to the Conley (Cons.) Field for proration purposes.

Further, acreage assigned to wells on these leases for allocation of allowable shall not be assigned to any other well or wells projected to or completed in the Conley (Cons.) or Conley (Palo Pinto) Fields; such duplicate assignment of acreage is not acceptable, provided however, that this limitation shall not prevent the reformation of development or proration units so long as no duplicate assignment of acreage occurs, and further, that such reformation does not violate other conservation regulations.

The operator of any well downhole commingled in the Conley (Cons.) or Conley (Palo Pinto) Fields shall file the appropriate completion forms and/or other forms as required by the Commission and shall file at the same time the appropriate Commission required administrative Rule 10 exception downhole commingling fee.

Done this 14th day of April, 2009.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated April
14, 2009)**