

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

**OIL AND GAS DOCKET
NO. 01-0264373**

**IN THE HACKBERRY CREEK (CANYON)
FIELD, EDWARDS COUNTY, TEXAS**

**FINAL ORDER
ADOPTING FIELD RULES FOR THE
HACKBERRY CREEK (CANYON) FIELD
EDWARDS COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on February 19, 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 Field Rules shall be adopted for the Hackberry Creek (Canyon) Field, Edwards County, Texas:

RULE 1: The entire correlative interval from 2,690 feet to 3,280 feet as shown on the log of the Bowermaster "46" Lease, Well No. 5 (API No. 42-137-31767), Section 46, Block 1, GWT & P RR Co. Survey, Edwards County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Hackberry Creek (Canyon) Field.

RULE 2: No gas well shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line or subdivision line and no well shall be drilled nearer than SIX HUNDRED SIXTY (660) 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 37 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 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 FORTY (40) acres. No proration unit shall contain more than FORTY (40) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each proration unit so that an amount not to exceed a maximum of FORTY FOUR (44) acres may be assigned. The two farthestmost points of any proration unit shall not be in excess of TWO THOUSAND ONE HUNDRED (2,100) feet removed from each other. Each proration unit containing less than FORTY (40) 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.

An operator, at his option, shall be permitted to form optional drilling units of TWENTY (20) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a TWENTY (20) acre fractional proration unit shall not be greater than ONE THOUSAND FIVE HUNDRED (1,500) 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 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 proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all proratable wells producing from the same reservoir.

It is further **ORDERED** by the Railroad Commission of Texas that the application of Diamondback Operating, LP for suspension of the allocation formula in the Hackberry Creek (Canyon) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Hackberry Creek (Canyon) Field drops below 100% of deliverability. If the market demand for gas in the Hackberry Creek (Canyon) 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 9th day of March, 2010.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by OGC Unprotested Master Order
dated March 9, 2010)**