

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

**OIL AND GAS DOCKET
NO. 02-0248895**

**IN THE SPEARY (EDWARDS) FIELD,
KARNES COUNTY, TEXAS**

**FINAL ORDER
AMENDING THE FIELD RULES
FOR THE SPEARY (EDWARDS) FIELD,
KARNES COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on May 11, 2007, 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 field rules for the Speary (Edwards) Field, Karnes County, Texas adopted in Special Order 02-71,893 effective, June 1, 1979 are amended and renumbered as set out below:

RULE 1: The entire correlative interval from 13,420 feet to 13,880 feet as shown on the log of the General Crude Oil Company's Tipps Well No. 1 (API No. 42-255-30228), Martinez Survey, A-6, Karnes County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Speary (Edwards) Field.

RULE 2:

a. No vertical well 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.

b. For each horizontal drainhole the perpendicular distance from any point on such horizontal drainhole to any point of any property line, lease line or subdivision line shall be at least THREE HUNDRED THIRTY (330) feet. No point on a horizontal well within the correlative interval shall be closer than THREE HUNDRED THIRTY (330) feet to such point on another horizontal well on the same lease, provided that this restriction on spacing between horizontal wells shall not apply to horizontal drainholes that are parallel or subparallel (within 45 degrees of parallel) and do not overlap more than FIVE HUNDRED (500) feet.

c. For purposes of Statewide Rule 37, there shall be no requirement for between well spacing of horizontal and vertical wells.

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 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.

RULE 3: The acreage assigned to the 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 SIX HUNDRED FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED FORTY (640) 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 SEVEN HUNDRED FOUR (704) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of NINE THOUSAND (9,000) feet removed from each other. Each proration unit containing less than SIX HUNDRED FORTY (640) 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 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 an TWENTY (20) acre fractional proration unit shall not be greater than ONE THOUSAND FIVE HUNDRED (1,500) feet removed from each other.

Notwithstanding the above, the acreage assigned to an gas well which has been drilled as a horizontal drainhole may contain more than SIX HUNDRED FORTY (640) acres providing that the following formula is utilized to determine the proper assignment of acreage:

$$A = (L \times 0.32829) + 640 \text{ acres}$$

Where: A = calculated area assignable, if available, to a horizontal drainhole for proration purposes rounded upward to the next whole number evenly divisible by 40 acres;
L = the horizontal drainhole distance measured in feet between the point at which the drainhole penetrates the top of the Edwards and the

horizontal drainhole end point within the Edwards.

The two farthestmost points in any horizontal drainhole well proration unit shall be determined by the formula:

$$\text{Maximum Diagonal} = 475.933 \sqrt{A}$$

A horizontal well may be developed with more than one horizontal drainhole from a single wellbore. A horizontal drainhole well developed with more than one horizontal drainhole shall be treated as a single well. The horizontal drainhole displacement (L) used for determining the proration unit assignable acreage (A) for a well with multiple horizontal drainholes shall be the longest horizontal drainhole length plus the perpendicular projection on a line that extends in a 180 degree direction from the longest drainhole, or any other horizontal drainhole drilled in a direction greater than 90 degrees from the longest horizontal drainhole.

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 following manner:

FIVE percent (5%) of the field's total allowable shall be allocated equally among all the individual prorable wells producing from the field.

NINETY-FIVE percent (95%) of the field's total allowable shall be allocated among the individual wells in the proportion that the deliverability of such well, as evidenced by the most recent G-10 test filed with the Railroad Commission bears to the summation of the deliverability of all prorable wells producing from the field.

Done this 26^h day of June, 2007.

RAILROAD COMMISSION OF TEXAS
(Order approved and signatures affixed by
OGC Unprotested Master Order dated June
26, 2007)