

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

**OIL AND GAS DOCKET  
NO. 10-0251624**

**IN THE RULER (MORROW UPPER)  
FIELD, ROBERTS COUNTY, TEXAS**

**FINAL ORDER  
AMENDING FIELD RULES FOR THE  
RULER (MORROW UPPER) FIELD  
ROBERTS COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on June 4, 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 the application of Valence Operating, Inc. to amend the field rules for the Ruler (Morrow Upper) Field, adopted in Final Order No. 10-72,830, July 30, 1979, is hereby approved.

The field rules for the Ruler (Morrow Upper) Field, as amended, are as follows:

**RULE 1:** The entire combined correlative interval from 9,710 feet to 9,745 feet as shown on the log of the Amarillo Oil Company - Payne "A" No. 1, API No. 393 30177, Section 4, Block A-2, EL & RR Survey, A-938, Roberts County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Ruler (Morrow Upper) Field.

**RULE 2:** No gas well 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 ONE THOUSAND TWO HUNDRED (1,200) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. The aforementioned distance is the minimum distance to allow an operator flexibility in locating a well. 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 Rule 37, which applicable provisions of said rule is incorporated herein by reference.

**RULE 3:** The acreage assigned to an individual gas well 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 EIGHT THOUSAND FIVE HUNDRED (8,500) 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 ONE HUNDRED SIXTY (160) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a ONE HUNDRED SIXTY (160) acre fractional proration unit shall not be greater than FOUR THOUSAND FIVE HUNDRED (4,500) 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 a non-associated gas reservoir of the subject field shall be determined by allocating the allowable production among the individual wells in the proportion that the well deliverability as shown by Form G-10 assigned such well for proration purposes bears to the summation of the well deliverability as shown by Form G-10 with respect to all wells producing from the same reservoir.

It is further ordered that suspension of the allocation formula in the Ruler (Morrow Upper) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Ruler (Morrow Upper) Field drops below 100% of deliverability. If the market demand for gas in the Ruler (Morrow Upper) 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 26<sup>th</sup> day of June, 2007.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotested Master Order dated June  
26, 2007)**