

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

**OIL AND GAS DOCKET  
NO. 10-0257404**

**IN THE LIPSCOMB (MORROW) FIELD,  
LIPSCOMB COUNTY, TEXAS**

**FINAL ORDER  
AMENDING AND RENUMBERING FIELD RULES FOR THE  
LIPSCOMB (MORROW) FIELD  
LIPSCOMB COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 9, 2008, 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 Special Field Rules adopted in Special Order No. 10-38,100, issued effective May 28, 1958, as amended, for the Lipscomb (Morrow) Field, Lipscomb County, Texas be renumbered and amended and the following rules shall be adopted:

**RULE 1:** The entire correlative interval from 9,048 feet to 10,050 feet as shown on the High Resolution Induction log of the Jones Energy Ltd. John B. Doyle, Well No. 4 (API No. 42-295-32765), Section 705, Blk. 43, H&TC Survey, Lipscomb County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Lipscomb (Morrow) Field.

**RULE 2:** No gas well shall hereafter be drilled nearer than SIX HUNDRED SIXTY (660) feet to any property line, lease line or subdivision line and no well shall be drilled nearer than ONE THOUSAND THREE HUNDRED TWENTY (1,320) 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 to the lease or pooled unit is for the purpose of

allocating allowable gas production to the wells within the base proration unit. The standard drilling and proration units are established hereby to be SIX HUNDRED AND FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED AND 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 AND FOUR (704) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of TEN THOUSAND FIVE HUNDRED (10,500) feet removed from each other. Each proration unit containing less than SIX HUNDRED AND 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 THREE HUNDRED TWENTY (320) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a THREE HUNDRED TWENTY (320) acre fractional proration unit shall not be greater than SEVEN THOUSAND FIVE HUNDRED (7,500) feet removed from each other.

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. When the allocation formula in this field is suspended, operators in this field shall not be required to file plats with the Form P-15. When the allocation formula is in effect in this field, operators shall be required to file, along with the Form P-15, individual proration unit plats showing the acreage assigned to each well. 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 are required to file an as-drilled plats showing the path, penetration point, production take points and terminus of all drainholes in horizontal wells regardless of allocation formula status.

**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, 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.

The allocation formula in the Lipscomb (Morrow) Field will remain suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the Lipscomb (Morrow) Field drops below 100% of deliverability.

Done this 23<sup>rd</sup> day of September, 2008

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by OGC  
Unprotected Master Order dated September 23,  
2008)**