

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

**OIL AND GAS DOCKET  
NO. 8A-0271344**

**IN THE LINKER (CLEAR FORK)  
FIELD, HOCKLEY COUNTY, TEXAS**

**FINAL ORDER  
APPROVING THE APPLICATION OF CHI OPERATING, INC. FOR  
UNITIZATION AND SECONDARY RECOVERY AUTHORITY FOR THE  
POST MONTGOMERY LOWER CLEARFORK WATERFLOOD UNIT  
LINKER (CLEAR FORK) FIELD  
HOCKLEY COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket, on the application of Chi Operating, Inc. heard on August 11, 2011, the presiding examiners have 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 examiners' 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 Post Montgomery Lower Clearfork Waterflood Unit in the Linker (Clear Fork) Field, Hockley County, Texas, as shown by plat submitted, be and is hereby approved as a Unit for secondary recovery purposes, subject to the following terms and conditions:

1. The Railroad Commission of Texas retains all powers and duties with regard to conservation of oil and gas in this field, and no proration order of the Commission will be promulgated pursuant to the terms of the unit agreement; and the allocation formula for the wells included in the agreement shall remain and continue in full force and effect as if the agreement had not been approved.
2. The proration units as established for the individual wells within the unitized area prior to the approval of the unitization agreement are hereby adopted, approved, and continued in effect for allowable allocation purposes for such wells unless the unit operator elects to revise the proration units.
3. For proration purposes, the unitized area will be considered a single tract.

4. The unit operator shall file with the Railroad Commission, in addition to the production report for the unit, a supplemental production report for each individual tract that is committed to the unit where any non-unitized interest exists, showing all things pertinent so that the owner of such non-unitized interest may have access to public records showing the status of his interest. The Supplemental Production Reports will document oil and gas production volumes determined by the method set out in the adopted findings of fact. Any deviation from this method must be submitted to the Director of the Oil and Gas Division or his delegate for approval, with notice to the non-unitized interest owner.
5. In order to protect unsigned ownership, when 100% of the royalty and working interest owners in a tract have not joined the unit, the operator is not authorized to convert the last producing well on that tract to an injector unless an exception is granted after notice and hearing.
6. All injection authority and each injection well within the unitized area is hereby made subject to the terms and conditions of the Texas Water Code, §27.0511 if fresh water is used.
7. Unless written waivers of objection are obtained from the royalty interest owners in Unit Tract 9 (Labor 6, League 27, Hood County School Land Survey, A-149, less and except 6.84 acres in the railroad right of way) who have not committed their royalty interest to the Unit:
  - a. All production amounts from Unit Tract 9 (being all of Labor 6, League 27, Hood County School Land Survey, A-149, less and except 6.84 acres in the railroad right of way) will be separately measured either by separate tank battery or by positive displacement meter; and
  - b. None of the existing 4 wells on Unit Tract 9, being the Et Al "6" Lease Well Nos. 1,2,3, and 4, will be converted to injection until after August 11, 2016.

Further, it is **ORDERED** by the Railroad Commission of Texas that Chi Operating, Inc. is hereby authorized to conduct secondary recovery operations on its Post Montgomery Lower Clearfork Waterflood Unit, Linker (Clear Fork) Field, Hockley County, Texas, subject to the following terms and conditions:

1. All injection authority within the unitized area previously granted by the Commission is hereby made subject to the terms and conditions of this order and the Technical Permitting Section is hereby authorized to issue amended injection permits in accordance with normal procedure as necessary to reflect the terms and conditions contained in this order or as later directed by the Commission.

2. The operator may expand or modify the proposed injection facilities without additional hearing for Commission approval of such expansion or modification, with respect to secondary recovery authorization, but each injection well remains subject to the filing requirements of Statewide Rule 46 including Commission Form H-1, "Application to Inject Fluid Into a Reservoir Productive of Oil or Gas" for injection wells not previously permitted as such.
3. The unit operator must submit application for injection well permits to the Technical Permitting Section and receive such permits prior to commencing injection pursuant to this order.

Done this 13<sup>th</sup> day of September, 2011.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotected Master Order dated  
September 13, 2011)**