

**RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION**

**RULE 37 CASE NO. 0220725
DISTRICT 6E**

**APPLICATION OF LARRY V. TATE
OPERATING, INC. FOR AN
EXCEPTION TO STATEWIDE RULE 37
TO RE-ENTER WELL NO. 2, ELDER
BROS. LEASE, EAST TEXAS FIELD,
GREGG COUNTY, TEXAS.**

FINAL ORDER

The Railroad Commission of Texas has received and docketed this application for a spacing exception permit under the provisions of Statewide Rule 37 and makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. At least ten (10) days notice was given to all affected operators in the field, all affected adjacent leases and the mineral interest owners of each adjacent unleased tract.
2. Notice of hearing was published in the Kilgore News Herald, a newspaper of general circulation in Gregg County, on March 10, 15, 22 and 29, 1999.
3. The applicable field rules for the East Texas Field are:

330'/660'/5 acres, if the well is in an internal tract, completely surrounded by production, located in the most sparsely drilled part of the tract and located as nearly as possible in compliance with the optional spacing rules. (See copy of June 24, 1957 MEMORANDUM TO THE COMMISSION re. Rule 37 and Density Policy for East Texas Field Applications attached hereto as Exhibit "A" for reference.)
4. The exception to Statewide Rule 37 is necessary because the proposed well is only 200' from the nearest lease-line and 200' from the nearest well on this lease completed in the East Texas Field.
5. The Elder Bros. Lease consists of twenty acres.
6. The proposed well is a re-entry of Elder Bros. Well No. 2, which was plugged on February 12, 1969.
7. The proposed well will be the second producing well on this lease.
8. When the proposed well is re-completed, there will be 10 acres per well on this lease,

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bringing the Elder Brothers Lease into greater parity with surrounding leases for well density, allowable per acre and cumulative oil recovery per acre.

9. No protest was made to the application for a Statewide Rule 37 exception.
10. The applied-for location will allow the applicant a reasonable opportunity to recover its fair share of the hydrocarbons underlying its tract in the East Texas Field.

CONCLUSIONS OF LAW

1. The application on Railroad Commission Form W-1 was properly filed.
2. Proper notice was timely issued by the Railroad Commission of Texas to appropriate parties legally entitled to notice.
3. All things have been done or have occurred to give the Railroad Commission jurisdiction to decide this matter.
4. The proposed re-entry location complies with the provisions of the East Texas Field Memorandum, approved by the Commission on July 1, 1957 and approval of the application is within the Commission's authority to prevent waste and protect correlative rights.
5. This application satisfies the requirements set out in the June 24, 1957 Rule 37 and Density Policy for East Texas Field Applications.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the application of Larry V. Tate Operating, Inc. for a lease-line and between-well spacing exception permit under the provisions of Statewide Rule 37 for the re-entry of Well No. 2, Elder Bros. Lease, containing 20 acres of land in the M. Van Winkle Survey, Abstract No. A-208, for the East Texas Field, Gregg County, being within the city limits of Kilgore, Texas, as shown by the plat submitted, be and is hereby **APPROVED**; and applicant is granted permission to re-enter and re-complete Well No. 2, which is located as follows, subject to the conditions listed below:

200 feet FEL and 250 feet FSL of the lease
5125 feet FNL and 10,750 feet FWL of the survey

CONDITIONS

1. **Fresh Water Sand Protection.** The operator must set and cement sufficient surface casing to protect all usable-quality water as defined by the Texas Water Commission. Before drilling a well, the operator must obtain a letter from the Texas Water Commission stating the depth to which water needs protection. Write: Texas Water Commission, Surface Casing, P. O. Box 13087, Capitol Station, Austin, Texas 78711-3087. File a copy of the

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Water Commission letter with the appropriate district office.

2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
3. **Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the docket number.
4. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.
5. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).
6. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.
7. **Notification of Plugging a Dry Hole.** The operator **MUST** call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving notification **MUST** be able to advise the district office of the docket number and all water protection depths for that location as stated in the Water Commission letter.
8. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent

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waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.

9. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final, unless actual drilling operations have begun. The permit period will not be extended.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

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It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after it is actually mailed to the parties by the Commission; provided that if a motion for rehearing of application is filed by any party at interest within such 20-day period, this order shall not become final until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Done this _____ day of _____, 1999.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN TONY GARZA

COMMISSIONER CHARLES R. MATTHEWS

COMMISSIONER MICHAEL L. WILLIAMS

ATTEST:

SECRETARY

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