

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

OIL AND GAS DOCKET NO. 0249399

THE APPLICATION OF GUNN OIL COMPANY FOR RULE 37 EXCEPTION AND RULE 39 EXCEPTION FOR THE SWENSON UNIT WELL NO. 1, WILDCAT FIELD, DICKENS COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice, the captioned proceeding was heard by the examiners on November 30, 2006. The proceeding having been duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. At least 10 days notice of this proceeding was sent to all persons entitled to notice. Notice was also published in *The Texas Spur*, a newspaper of general circulation in Dickens County, Texas, for four consecutive weeks beginning November 2, 2006.
2. There were no protests at the call of the hearing.
3. The subject well is proposed for the Wildcat Field.
4. The applicable field rules for the Wildcat Field require a minimum of 467 feet from the nearest lease line and 1,200 feet between wells on the same lease in the same field. The well requires an exception to Rule 37 because the proposed well is closer than 467 feet to an internal property line.
5. An exception to Statewide Rule 39 is necessary because the proposed 40 acre unit includes numerous non-contiguous tracts. These non-contiguous tracts are town lots separated by a street or alley which is unleased.
6. The inclusion of the non-contiguous tracts in the proposed drilling unit will provide the mineral interest owners a reasonable opportunity to recover the hydrocarbons underlying their tracts or their equivalent in kind.
7. The application for an exception permit pursuant to the provisions of Statewide Rule 37 for the Wildcat Field is subject to approval pursuant to Rule 37(h)(2)(A).

CONCLUSIONS OF LAW

1. The application on Railroad Commission Form W-1 was properly filed.
2. Proper notice was issued by the Railroad Commission to appropriate persons legally entitled to notice.
3. All things have been done and have occurred to give the Railroad Commission jurisdiction to decide this matter.
4. The application meets the requirements for approval pursuant to Statewide Rule 37(h)(2)(A).
5. The application meets the requirements for an exception to Statewide Rule 39 in that non-contiguous acreage to be included in the drilling unit is separated by a narrow right of way, being a city street.

Therefore, under the authority of TEX. NAT. RES. CODE ANN. Sec. 85.202 and pursuant to Statewide Rule 39, it is ORDERED that the application of Gunn Oil Company for an exception to Statewide Rule 39 for the Swenson Unit Well No. 1, containing 40 acres of land, Wildcat Field, Dickens County, Texas, as shown by the submitted plat, is hereby APPROVED.

Further, under the authority of TEX. NAT. RES. CODE ANN. §85.202 and pursuant to Statewide Rule 37(h)(2)(A), it is ORDERED by the Railroad Commission that the application of Gunn Oil Company for a spacing exception permit under the provisions of Rule 37 and a permit to drill Well No. 1 (API No. 125 31062), Permit No. 627651, Swenson Unit lease, containing 40 acres of land in the Section 245, Block 1, H & GN RR Co. Survey, A-129, for the Wildcat Field, Dickens County, be and is hereby APPROVED; and applicant is granted permission to drill Well No. 1, which will be located as follows, subject to the conditions listed below:

503 feet FNEL and 522 feet FSEL of the lease
436 feet FSL and 725 feet FEL 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 Commission on Environmental Quality. Before drilling a well, the operator must obtain a letter from the Texas Commission on Environmental Quality stating the depth to which water needs protection. File a copy of the TCEQ Surface Casing 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 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 TCEQ Surface Casing 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 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.
10. Permit Invalidation. It is the operator's responsibility to make sure that the permitted location complies with Commission density and spacing rules in effect on the spud date. The permit becomes invalid automatically if, because of a field rule change or the drilling of another well, the stated location is not in compliance with the Commission field rules on the spud date. If this occurs, application for an exception to Statewide Rules 37 and 38 must be made and a special permit granted prior to spudding. Failure to do so may result in an allowable not being assigned and/or enforcement procedures being initiated.

Done this 19th day of December, 2006.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by OGC Unprotested Master Order
dated December 19, 2006)**