

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

**OIL AND GAS DOCKET  
NO. 03-0256485**

**IN THE MAGNOLIA SPRINGS (AUSTIN  
CHALK) FIELD, JASPER COUNTY,  
TEXAS**

**FINAL ORDER  
APPROVING THE APPLICATION OF ANADARKO E&P COMPANY LP  
FOR A NEW FIELD DESIGNATION AND TEMPORARY FIELD RULES FOR THE  
MAGNOLIA SPRINGS (AUSTIN CHALK) FIELD  
JASPER COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on June 6, 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.

It is ordered by the Railroad Commission of Texas that the application of Anadarko E&P Company LP for a new field discovery for the Magnolia Springs (Austin Chalk) Field (RRC Field No. 56785 500), Jasper County, Texas be and hereby is approved.

Further, it is ordered by the Railroad Commission of Texas that the following temporary field rules shall be adopted for the Magnolia Springs (Austin Chalk) Field, Jasper County, Texas:

**RULE 1:** The correlative interval from 13,685 feet to 14,108 feet measured depth as shown on the log of the Anadarko E&P Company LP, Black Stone Isaacs A-316 Lease Well No. 1 (API No. 42-241-30728), Jasper County, Texas, shall be designated as the Magnolia Springs (Austin Chalk) Field.

**RULE 2:**

(a) No vertical well for gas shall hereafter be drilled nearer than FOUR HUNDRED SIXTY-SEVEN (467) feet to any property line, lease line or subdivision line and no vertical well shall be drilled nearer that 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.

(b) No horizontal drainhole well for gas shall hereafter be drilled such that the penetration point or terminus of a horizontal drainhole is nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.

(c) For each horizontal drainhole well, the perpendicular distance from any point on such horizontal drainhole between the penetration point and the terminus, to any point on any property line, lease line or subdivision line shall be a minimum of ONE THOUSAND TWO HUNDRED (1,200) feet. No point on a horizontal drainhole within the correlative interval shall be closer than ONE THOUSAND TWO HUNDRED (1,200) feet to such point on another horizontal well on the same lease, provided that this restriction on spacing between wells shall not apply to horizontal drainhole wells that are parallel or subparallel and do not overlap more than ONE HUNDRED (100) feet.

(d) 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 therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules 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 an individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) 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 THREE HUNDRED FIFTY TWO (352) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of SIX THOUSAND FIVE HUNDRED (6,500) feet removed from each other. Each proration unit containing less than THREE HUNDRED TWENTY (320) 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.

Notwithstanding the above, the acreage assigned to a gas well which has been drilled as a horizontal drainhole may contain more than THREE HUNDRED TWENTY (320) acres providing that the following formula is utilized to determine the proper assignment of acreage:

$$A = 320 \text{ acres} + ( L \times 0.2 ) \text{ acres}$$

Where: A = calculated area assignable, if available, to a horizontal drainhole for proration purposes;  
L = the horizontal drainhole distance measured in feet between the point at which the drainhole penetrates the top of the Austin Chalk and the horizontal drainhole end point within the Austin Chalk.

The two farthermost points in any horizontal drainhole well proration unit shall be determined by the formula:

$$\text{Maximum Diagonal} = 5,000 \text{ feet} + ( L \times 2.5 ) \text{ feet}$$

**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 prorable wells producing from the same reservoir.

It is further ordered that the following wells in the Brookeland (Austin Chalk, 8800) Field shall be transferred into the Magnolia Springs (Austin Chalk) Field without requiring new drilling permits:

<u>LEASE NAME</u>	<u>WELL NO.</u>	<u>API NUMBER</u>	<u>LEASE ID NO.</u>
Black Stone Isaacs A-316	1	42-241-30728	230246
Gobert A-11 Unit	1	42-241-30733	230268
Black Stone Minerals A-34 Unit 3	1	42-241-30740	Pending
BP America A-995 Unit	1	42-241-30741	233959
BP America A-187 Unit	1	42-241-30751	234793
BP Black Stone A-520 Unit	1	42-241-30753	Pending

It is further ordered that these rules are temporary and effective until December 15, 2009, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and opportunity for hearing, should the evidence evaluated during review be insufficient to sustain spacing or proration unit rules, these temporary rules, on the Commission's own motion, will be terminated and the field will revert to Statewide spacing and density rules.

It is further ordered that all overproduction in the Magnolia Springs (Austin Chalk) Field is hereby cancelled.

Done this 15<sup>th</sup> day of July, 2008.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures  
affixed by OGC Unprotected Master  
Order dated July 15, 2008)**