

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

**OIL AND GAS DOCKET  
NO. 03-0271580**

**IN THE RED BULL (COOK MOUNTAIN)  
FIELD, WHARTON COUNTY, TEXAS**

**FINAL ORDER  
APPROVING THE APPLICATION OF CAZA OPERATING, LLC FOR A  
NEW FIELD DESIGNATION AND TO ADOPT TEMPORARY FIELD RULES  
FOR THE RED BULL (COOK MOUNTAIN) FIELD  
WHARTON COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on September 7, 2011, 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 the application of Caza Operating, LLC for a new field designation for its O. B. Ranch Lease, Well No. 1, is hereby approved. The new field shall be known as the Red Bull (Cook Mountain) Field (ID No. 75177 500), Wharton County, Texas.

It is further **ORDERED** that the following Temporary Field Rules are hereby adopted for the Red Bull (Cook Mountain) Field, Wharton County, Texas:

**RULE 1:** The entire correlative interval from 12,490 feet to 12,830 feet as shown on the log of the Caza Operating, LLC - O. B. Ranch Lease, Well No. 1 (API No. 42-481-35118), H. Griffith Survey, A-25, Wharton County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Red Bull (Cook Mountain) Field.

**RULE 2:** No well for oil or gas shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line or subdivision line and no well shall be drilled nearer than 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. 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 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 EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) 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 EIGHTY EIGHT (88) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of THREE THOUSAND TWO HUNDRED FIFTY (3,250) feet removed from each other. Each proration unit containing less than EIGHTY (80) 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.

Operators shall file with the Commission certified plats of their properties in said field, which plats shall set out distinctly all of those things pertinent to the determination of the acreage credit claimed for each well; provided that if the acreage assigned to any proration unit 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.

**RULE 4:** The daily allowable production of gas from individual gas wells completed in 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 following manner:

NINETY FIVE percent (95%) of the total field allowable shall be allocated among the individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all prorable wells producing from this field.

FIVE percent (5%) of the field's total allowable shall be allocated equally among all the individual prorable wells producing from the field.

It is further **ORDERED** by the Railroad Commission of Texas that the application of Caza Operating, LLC for suspension of the allocation formula in the Red Bull (Cook Mountain) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Red Bull (Cook Mountain) Field drops below 100% of deliverability. If the market demand for gas in the Red Bull (Cook Mountain) Field drops below 100% of deliverability while the allocation formula is suspended, the operator shall immediately notify the Commission and the allocation formula shall be immediately reinstated.

It is further **ORDERED** that these rules are temporary and effective until April 11, 2013, 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 Red Bull (Cook Mountain) Field is hereby cancelled.

Done this 11<sup>th</sup> day of October, 2011.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotested Master Order dated  
October 11, 2011)**