

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 03-0287052**

**IN THE ATKINSON ISLAND (CONS.)
FIELD, CHAMBERS COUNTY, TEXAS**

**FINAL ORDER
CONSOLIDATING THE ATKINSON ISLAND (FRIO) FIELD
INTO THE ATKINSON ISLAND (CONS.) FIELD
AND ADOPTING FIELD RULES FOR THE PROPOSED
ATKINSON ISLAND (CONS.) FIELD
CHAMBERS COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on February 28, 2014, 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 Atkinson Island (Frio) Field, Chambers County, Texas, is hereby consolidated into a new field called the Atkinson Island (Cons.) Field, ID No. 04291 400. Wells in the Atkinson Island (Frio) Field listed on Attachment A shall be transferred into the Atkinson Island (Cons.) Field without requiring new drilling permits and plats.

It is further **ORDERED** by the Railroad Commission of Texas that the following Field Rules shall be adopted for the Atkinson Island (Cons.) Field, Chambers County, Texas:

RULE 1: The entire correlative interval from 1,150 feet MD (1,150 feet TVD) to 13,510 feet MD (12,858 feet TVD) as shown on the composite resistivity sonic (ISF/SON) log for the Gulf Oil Exploration & Production State Tract 210, Well No. 1 (API No. 071-30933) that is located in State Tract 210, Galveston Bay, Chambers County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Atkinson Island (Cons.) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than FIFTY (50) feet to any property line, lease line, or subdivision line. There is no minimum between well spacing limitation. 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 3a: 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 FORTY (40) acres. No proration unit shall consist of more than FORTY (40) 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 FORTY FOUR (44) acres may be assigned. Each proration unit containing less than FORTY (40) acres shall be a fractional proration unit. The two farthestmost points in any proration unit shall not be in excess of TWO THOUSAND ONE HUNDRED (2,100) feet removed from each other; provided however, that in the case of long and narrow leases or in cases where because of the shape of the lease such is necessary to permit the utilization of tolerance acreage, the Commission may after proper showing grant exceptions to the limitations as to the shape of proration units as herein contained. 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.

An operator, at his option, shall be permitted to form optional drilling and proration units of TEN (10) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

RULE 3b: The acreage assigned to the individual oil well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of TWO THOUSAND ONE HUNDRED (2,100) feet removed from each other; provided however, that in the case of long and narrow leases or in cases where because of the shape of the lease such is necessary to permit the utilization of tolerance acreage, the Commission may after proper showing grant exceptions to the limitations as to the shape of proration units as herein contained. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil. No double assignment of acreage will

be accepted.

If after the drilling of the last well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission.

An operator, at his option, shall be permitted to form optional drilling and proration units of TEN (10) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

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 4a: The gas field shall be classified as associated-prorated. The daily allowable production of gas from individual 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:

FIVE percent (5%) of the total field allowable shall be allocated among the individual wells in the proportion that the deliverability of such well, as evidenced by the most recent G-10 test filed with the Railroad Commission bears to the summation of the deliverability of all proratable wells producing from this field.

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 proratable wells producing from this field.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be the MER Allowable of 850 barrels of oil per day and the actual allowable for an individual well shall be determined by the sum total of the two following values:

Each well shall be assigned an allowable equal to FIVE percent (5%) of the maximum daily oil allowable above.

Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing the maximum acreage authorized exclusive of tolerance acreage multiplied by NINETY FIVE percent (95%) and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well and the denominator of which is the maximum acreage authorized for a proration unit exclusive of tolerance acreage.

It is further **ORDERED** by the Railroad Commission of Texas that the application of Linc Gulf Coast Petroleum, Inc. for suspension of the allocation formula in the Atkinson Island (Cons.) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Atkinson Island (Cons.) Field drops below 100% of deliverability. If the market demand for gas in the Atkinson Island (Cons.) 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.

Done this 25th day of March, 2014.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated March 25, 2014)**

ATTACHMENT A

Wells to be Transferred Without Fees from the Atkinson Island (Frio) Field (ID No. 04291 500) to the Atkinson Island (Cons.) Field (ID No. 04291 400) :

<u>Lease Name</u>	<u>Well No.</u>	<u>Lease/ID No.</u>	<u>API No.</u>
State Tract 126	2	14221	071-31127
State Tract 126	3	14221	071-31084
State Tract 126	4	14221	071-31959
State Tract 126	5	14221	071-32355
State Tract 127A	2	24150	071-32226
State Tract 126A	6A	25408	071-32383
State Tract 126A	1	25550	071-32220
State Tract 125	1	213676	071-32306
State Tract 126	1	126202	071-31063