

**RAILROAD COMMISSION OF TEXAS
HERAINGS DIVISION**

**OIL AND GAS DOCKET
NO. 04-0283388**

**IN THE MCALLEN-PHARR
(CONSOLIDATED) FIELD, HIDALGO
COUNTY, TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS MCALLEN AND PHARR FIELDS
INTO A NEW FIELD CALLED
THE MCALLEN-PHARR (CONSOLIDATED) FIELD AND
ADOPTING FIELD RULES FOR THE
MCALLEN-PHARR (CONSOLIDATED) FIELD
HIDALGO COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 31, 2013, 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 fields listed on Appendix A located in Hidalgo County, Texas are hereby combined into a new field called the McAllen-Pharr (Consolidated) Field (No. 58749 500):

It is further ordered that the following rules are adopted for the McAllen-Pharr (Consolidated) Field:

RULE 1: The entire correlative interval from 5,800 feet TVD/MD to 15,300 feet TVD (15,800 feet MD) as shown on the composite log of the McAllen Fieldwide Unit, Well No. 65 (vertical well), API No. 215-32687, and the Pharr Fieldwide Unit, Well No. 52 (directional well), API No. 215-33772, Hidalgo County, shall be designated as a single reservoir for proration purposes and be designated as the McAllen-Pharr (Consolidated) Field.

RULE 2: No oil or gas well shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line or subdivision line and there is no between-well spacing limitation for wells in this field. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well. The Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission determines 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.

Provided, however, that for purposes of spacing for horizontal drainhole wells, the following shall apply:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced into the wellbore from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
- b. No horizontal drainhole well for oil or gas shall hereinafter be drilled such that the first and last take point are nearer than ONE HUNDRED (100) feet from any property line, lease line, or subdivision line.
- c. For each horizontal drainhole well, the perpendicular distance from any take point on such horizontal drainhole between and including the first and last take point to any point on any property line, lease line or subdivision line shall be a minimum of THREE HUNDRED THIRTY (330) feet

For the purpose of assigning additional acreage to a horizontal drainhole well pursuant to the provisions of this order, the distance from the first take point to the last take point in the horizontal drainhole shall be used in such determination, in lieu of the distance from penetration point to terminus.

In addition to the penetration point and the terminus of the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first and last take points must also be identified on the drilling permit application (Remarks Section) and plat. Operators shall file an as-drilled plat showing the path, penetration point, terminus and the first and last take points of all drainholes in horizontal wells, regardless of allocation formula.

If the applicant has represented in the drilling application that there will be one or more no perf zones or "NPZ"s" (portions of the wellbore within the field interval without take points), then the as-drilled plat filed after completion of the well shall be certified by a person with knowledge of the facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all pertinent and required data. In addition to the standard required data, the certified plat shall include the as-drilled track of the wellbore, the location of each take point on the wellbore, the boundaries of any wholly or partially unleased tracts within a Rule 37 distance of the wellbore, and notations of the shortest distance from each wholly or partially unleased tract within a Rule 37 distance of the wellbore to the nearest take point on the wellbore.

A properly permitted horizontal drainhole will be considered to be in compliance with the spacing rules set forth herein if the as-drilled location falls within a rectangle

established as follows:

- a. Two sides of the rectangle are parallel to the permitted drainhole and 33 feet on either side of the drainhole;
- b. The other two sides of the rectangle are perpendicular to the sides described in (a) above, with one of those sides passing through the first take point and the other side passing through the last take point.

Any point of a horizontal drainhole outside of the described rectangle must conform to the permitted distance of the nearest property line, lease line or subdivision line.

For any well permitted in this field, the penetration point need not be located on the same lease, pooled unit or unitized tract on which the well is permitted and may be located on an Offsite Tract. When the penetration point is located on such Offsite Tract, the applicant for such a drilling permit must give 21 days notice by certified mail, return receipt requested to the mineral owners of the Offsite Tract. For the purposes of this rule, the mineral owners of the Offsite Tract are (1) the designated operator; (2) all lessees of record for the Offsite Tract where there is no designated operator; and (3) all owners of unleased mineral interests where there is no designated operator or lessee. In providing such notice, applicant must provide the mineral owners of the Offsite Tract with a plat clearly depicting the projected path of the entire wellbore. In the event the applicant is unable, after due diligence, to locate the whereabouts of any person to whom notice is required by this rule, the applicant must publish notice of this application pursuant to the Commission's Rules of Practice and Procedure. If any mineral owner of the Offsite Tract objects to the location of the penetration point, the applicant may request a hearing to demonstrate the necessity of the location of the penetration point of the well to prevent waste or to protect correlative rights. Notice of Offsite Tract penetration is not required if (a) written waivers of objection are received from all mineral owners of the Offsite Tract; or, (b) the applicant is the only mineral owner of the Offsite Tract. To mitigate the potential for well collisions, applicant shall promptly provide copies of any directional surveys to the parties entitled to notice under this section, upon request.

RULE 3: The acreage assigned to the individual gas well 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.

An operator, at his option, shall be permitted to form optional drilling units of TWENTY (20) acres.

For the determination of acreage credit in this field, operators shall file for each oil or gas well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or unit for proration purposes. For oil or gas wells, operators shall be required to file, along with the Form P-15, a plat of

the lease, unit or property; provided that such plat shall not be required to show individual proration units.

RULE 4: 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:

FIFTY percent (50%) 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.

FIFTY percent (50%) of the field's total 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 prorable wells producing from the field.

It is further ordered that the allocation formula in the McAllen-Pharr (Consolidated) Field shall be suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the McAllen-Pharr (Consolidated) Field drops below 100% of deliverability. It is further ordered that annual deliverability tests (Form G-10) be performed pursuant to Rule 28(c).

Wells in the subject fields shall be transferred into the McAllen-Pharr (Consolidated) Field without requiring new drilling permits.

Done this 24th day of September, 2013.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
September 24, 2013)**

Attachment "A"

<u>Field Name</u>	<u>Field Number</u>
MCALLEN (BIEDENHARN)	58721 060
MCALLEN (BIEDENHARN, LOWER)	58721 061
MCALLEN (COLLAVO 8100)	58721 220
MCALLEN (GRISSOM 7900)	58721 460
MCALLEN (HACKNEY LAKE NORTH)	58721 480
MCALLEN, WEST (BIEDENHARN, UPPER)	58728 258
PHARR (7500)	71087 870
MCALLEN (GRAHAM 8500)	58721 440
MCALLEN (GRAHAM 8500 FB-C)	58721 443
MCALLEN (GRAHAM 8500 FB D)	58721 444
MCALLEN (HANSEN)	58721 520
MCALLEN (MOSER 8200)	58721 720
MCALLEN (9400)	58721 960
PHARR (8500)	71087 928
MCALLEN (MARKS)	58721 640
MCALLEN (MARKS FB E)	58721 700
PHARR (FB-L, MARKS)	71087 464
PHARR (MARKS)	71087 696
MCALLEN (BOND)	58721 075
MCALLEN (BOND A)	58721 080
MCALLEN (CONSOLIDATED FB-B)	58721 230
MCALLEN (LOWER FRIO)	58721 625
PHARR (BOND)	71087 058
PHARR (FB-C, BOND)	71087 174
PHARR (HENSLEY)	71087 590
PHARR (REICHERT)	71087 812
MCALLEN (COOK)	58721 240