

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION**

OIL AND GAS DOCKET

NO. 06-0254453

**IN THE DANVILLE (TP-CV CONS.)
FIELD, GREGG AND RUSK COUNTIES,
TEXAS**

**FINAL ORDER
CONSOLIDATING DANVILLE, EAST (COTTON VALLEY)
AND DANVILLE (TRAVIS PEAK CONS.) FIELDS INTO A
NEW FIELD CALLED THE DANVILLE (TP-CV CONS.) FIELD AND
ADOPTING FIELD RULES FOR THE
DANVILLE (TP-CV CONS.) FIELD
GREGG AND RUSK COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on January 4, 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.

Therefore, it is ordered by the Railroad Commission of Texas that the Danville, East (Cotton Valley) (No. 23090 500) and the Danville (Travis Peak Cons.) (No. 23089 812) Fields located in Gregg and Rusk Counties, Texas, are hereby combined into a new field called the Danville (TP-CV Cons.) Field (No. 23089 800):

It is further ordered that the following rules are adopted for the Danville (TP-CV Cons.) Field:

RULE 1: The entire correlative interval from 7,246' to 10,668' as shown on the Array Induction-DSN Microlog of the Samson Lone Star, Flanagan GU Lease Well No. 7, (API 42-183-31916), A.J. Grisham Survey, A-84, Gregg County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Danville (TP-CV Cons.) Field.

RULE 2: No well shall hereafter be drilled nearer than FOUR HUNDRED AND SIXTY SEVEN (467) 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, 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. Notwithstanding the above, there shall be no minimum between well spacing requirement between vertical wells and horizontal drainhole wells on the same lease or pooled unit.

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 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. Each proration unit containing less than FORTY (40) 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 not be required to file Form P-15 or proration unit plats for any well in the field while the allocation formula remains suspended, except for horizontal wells pursuant to Rule 86(f)4.

RULE 4a: 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 field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

NINETY-FIVE percent (95%) 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 proratable wells producing from the field.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be 353 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 its potential based on the most recent well test filed with the Commission multiplied by 95%, provided that this value shall not exceed 353 barrels of oil per day multiplied by (95)%.

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

It is further ordered that the allocation formula in the Danville (TP-CV Cons.) Field will be suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the Danville (TP-CV Cons.) Field drops below 100% of deliverability.

Done this 28th day of January, 2008.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
January 28, 2008)**