

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

**OIL AND GAS DOCKET
NO. 06-0267632**

**IN THE GILMER (COTTON VALLEY
SANDS) AND GILMER (JURASSIC)
FIELDS, UPSHUR COUNTY, TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS FIELDS,
INTO THE GILMER (COTTON VALLEY SANDS) FIELD
AND CONSOLIDATING VARIOUS FIELDS
INTO THE GILMER (JURASSIC) FIELD
ADOPTING FIELD RULES FOR THE
GILMER (COTTON VALLEY SANDS) FIELD AND
THE GILMER (JURASSIC) FIELD
UPSHUR COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on November 3, 2010, 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 Gilmer (Bossier Sand) (No. 34943 200), Gilmer, N.E. (Cotton Valley) (No. 34946 150) and Wilkins, N. (Cotton Valley Sand) (No. 97469 075) Fields located in Upshur County, Texas, are hereby combined into the Gilmer (Cotton Valley Sands) Field (No. 34943 300) and that the Gilmer, S. (Cotton Valley) (No. 34947 500), Gilmer, S. (Cotton Valley, Up) (No. 34947 600), Mings Chapel (Cotton Valley LM) (No. 61875 100), Wilkins, N. (Haynesville) (No. 97469 400) and Gilmer (Cotton Valley) (No. 34943 250) Fields located in Upshur County, Texas are hereby combined into the Gilmer (Jurassic) Field (No. 34943 750):

It is further ordered that the following rules are amended for the Gilmer (Cotton Valley Sands) Field and the Gilmer (Jurassic) Field :

RULE 1a: The entire correlative interval from 9,185' to 11,640' as shown on the Dual Induction log of the Sulphur River Exploration, Indian Rock GU12, Well No. 1, (API 42-459-31233), M.F. Flores Survey, A-2, Upshur County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Gilmer (Cotton Valley Sands) Field.

RULE 1b: The entire correlative interval from 11,640' to 13,055' as shown on the Dual Induction log of the Sulphur River Exploration, Indian Rock GU12, Well No. 1, (API 42-459-31233), M.F. Flores Survey, A-2, Upshur County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Gilmer (Jurassic) Field.

RULE 2: No gas or oil well 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 SIX HUNDRED SIXTY (660) 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. 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.

Notwithstanding the above, there shall be no minimum spacing requirement between horizontal and vertical wells.

Provided, however, that for purposes of spacing for horizontal 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 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. All take points in a horizontal drainhole well shall be a minimum of FOUR HUNDRED SIXTY SEVEN (467) feet from the property line, lease line, or subdivision line.
- c. All take points in a horizontal drainhole well shall be a minimum distance of SIX HUNDRED SIXTY (660) feet from take points in any existing, permitted, or applied for horizontal drainhole on the same lease.

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 50 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 take 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.

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.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

For any well permitted in this field configured as the above described wells, the penetration point need not be located on the same lease, pooled unit or unitized tract or production sharing agreement 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.

For the purpose of assigning additional acreage to a horizontal well pursuant to Rule 86, 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.

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 SIX HUNDRED AND FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED AND FORTY (640) 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 SEVEN HUNDRED AND FOUR (704) acres may be assigned. Each proration unit containing less than SIX HUNDRED AND FORTY (640) 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.

An operator, at his option, shall be permitted to form optional drilling units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

The standard drilling unit for oil wells shall remain forty (40) acres per well.

For the determination of acreage credit in this field, operators shall file for each 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. When the allocation formula in this field is suspended, operators in this field shall not be required to file plats with the Form P-15. When the allocation formula is in effect in this field, operators shall be required to file, along with the Form P-15, individual proration unit plats showing the acreage assigned to each well. Provided further, that if the acreage assigned to any well 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 subject fields shall be classified as associated. 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:

NINETY percent (90%) 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.

TEN percent (10%) 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.

It is further **ORDERED** by the Railroad Commission of Texas that the allocation formula in the Gilmer (Cotton Valley Sands) Field and the Gilmer (Jurassic) 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 Gilmer (Cotton Valley Sands) Field and/or the Gilmer (Jurassic) Field drops below 100% of deliverability.

Wells in the subject fields shall be transferred into the Gilmer (Cotton Valley Sands) Field or the Gilmer (Jurassic) Field without requiring new drilling permits.

It is further **ORDERED** by the Railroad Commission of Texas that the application of Forest Oil Corporation for a blanket exception to Statewide Rule 10 for wells in the Gilmer (Cotton Valley Sands) and Gilmer (Jurassic) Fields, Upshur County, Texas, be and it is hereby approved. Such commingled production shall be assigned to the Gilmer (Jurassic) Field for proration purposes only as long as the allocation formula is suspended in both the Gilmer (Cotton Valley Sands) and Gilmer (Jurassic) Fields. If the status of either of these fields changes it may be necessary to reassign commingled production to a prorated field.

Further, acreage assigned to wells on these leases for allocation of allowable shall not be assigned to any other well or wells projected to or completed in the Gilmer (Cotton Valley Sands) and Gilmer (Jurassic) Fields; such duplicate assignment of acreage is not acceptable, provided however, that this limitation shall not prevent the reformation of development or proration units so long as no duplicate assignment of acreage occurs, and further, that such reformation does not violate other conservation regulations.

The operator of any well downhole commingled in the Gilmer (Cotton Valley Sands) and Gilmer (Jurassic) Fields shall file the appropriate completion forms and/or other forms as required by the Commission and shall file at the same time the appropriate Commission required administrative Rule 10 exception downhole commingling fee.

Done this 14th day of December, 2010.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
December 14, 2010)**