

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

**OIL AND GAS DOCKET
NO. 7C-0275336**

**IN THE OZONA, NE. (CANYON 7520)
FIELD, CROCKETT AND SCHLEICHER
COUNTIES, TEXAS**

**FINAL ORDER
CONSOLIDATING VARIOUS FIELDS INTO THE
OZONA, NE. (CANYON 7520) FIELD AND
RENUMBERING AND AMENDING FIELD RULES FOR THE
OZONA, NE. (CANYON 7520) FIELD
CROCKETT AND SCHLEICHER COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on April 16, 2012, 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 following fields located in Crockett and Schleicher Counties, Texas, are hereby combined into the Ozona, NE. (Canyon 7520) Field (Field No. 67998 500):

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Addie (Penn)	00716 750
John Rae (Penn)	46921 500
Kama (Canyon)	48083 500
Kama (Strawn)	48083 600
Ozona, N. E. (Ellenburger)	67998 600
Ozona, NW. (Spraberry)	67999 666
Ozona, NE. (Strawn)	67998 800
Ozona, NE (Wolfcamp)	67998 900
Parker-Harrell (Ellenburger)	69207 500

<u>FIELD NAME</u>	<u>FIELD NUMBER</u>
Turkey Roost (Ellenburger)	91851 400
University 54 (Canyon)	92630 300
University 54 (Ellenburger)	92630 500
University 56	92631 500
University 56 (Ellen.)	92631 800
University 101 (Ellenburger)	92632 500

Wells in the subject fields shall be transferred into the Ozona, NE. (Canyon 7520) Field without requiring new drilling permits and plats.

It is further **ORDERED** by the Railroad Commission of Texas that the Field Rules adopted in Final Order No. 08-0253661, effective December 18, 2007, as amended, for the Ozona, NE. (Canyon 7520) Field, Ward County, Texas, are hereby amended. The renumbered and amended Field Rules are set out in their entirety as follows:

RULE 1: The entire correlative interval from 3,030 feet to 8,820 feet as shown on the log of the Approach Operating, LLC - J. R. Bailey "A" Lease, Well No. 537 (API No. 42-105-40614), Section 5, Block GH, GC&SF RR Co. Survey, A-2513, Crockett County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Ozona, NE. (Canyon 7520) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED AND THIRTY (330) feet to any property line, lease line, or subdivision line and no well shall be drilled nearer than SIX HUNDRED AND 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; 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 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 THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED

TWENTY (320) 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 THREE HUNDRED FIFTY TWO (352) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of SIX THOUSAND FIVE HUNDRED (6,500) feet removed from each other. Each proration unit containing less than THREE HUNDRED TWENTY (320) 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 TWENTY (20) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a TWENTY (20) acre fractional proration unit shall not be greater than ONE THOUSAND FIVE HUNDRED (1,500) feet removed from each other.

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 units of TWENTY (20) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a TWENTY (20) acre fractional proration unit shall not be greater than ONE THOUSAND FIVE HUNDRED (1,500) feet removed from each other.

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:

FIFTY percent (50%) of the field's total allowable shall be allocated equally among all the individual prorable wells producing from the field.

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.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be the 1965 Yardstick Allowable of 121 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 FIFTY percent (50%) 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 FIFTY percent (50%) 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** that the allocation formula in the Ozona, NE. (Canyon 7520) Field will remain suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the Ozona, NE. (Canyon 7520) Field drops below 100% of deliverability.

Done this 8th day of May, 2012.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated May 8,
2012)**