

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

**OIL AND GAS DOCKET
NO. 10-0253961**

**IN THE SMITH PERRYTON
(MORROW-MISS.) FIELD, OCHILTREE
COUNTY, TEXAS**

**FINAL ORDER
CONSOLIDATION OF VARIOUS SMITH PERRYTON FIELDS
AND NEW FIELD DESIGNATION FOR THE SMITH PERRYTON
(MORROW-MISS.) FIELD AND ADOPTING FIELD RULES
FOR THE SMITH PERRYTON (MORROW-MISS.) FIELD
OCHILTREE COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on November 29, 2007, 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.

It is ordered by the Railroad Commission of Texas that the Smith Perryton (Mississippian), Smith Perryton (Morrow, Lower), Smith Perryton (Morrow, Middle) and Smith Perryton (Morrow, Upper) Fields located in Ochiltree County, Texas, be and are hereby combined into the new field designation to be known as the Smith Perryton (Morrow-Miss.) Field (RRC ID. No. 84300-700), Ochiltree County, Texas; and from and after said effective date, all records and reports filed with the Commission will show such designation.

It is further ordered by the Commission that the Smith Perryton (Morrow-Miss.) Field is designated as Associated-Prorated and gas wells shall not be subject to restricted allowables pursuant to Statewide Rule 49(b) determination and the operating rules as hereinafter set out are hereby adopted for Smith Perryton (Morrow-Miss.) Field, Ochiltree County, Texas.

RULE 1: The entire combined correlative interval from 7,260' to 8,030' as shown on the Array Compensated Resistivity log of the Strand Energy, Mason Lease Well No. 1, (API No. 42-357-32660), Ochiltree County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Smith Perryton (Morrow-Miss.) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than SIX HUNDRED AND SIXTY (660) feet to any property line, lease line or subdivision line and no well shall be drilled nearer than THIRTEEN HUNDRED AND TWENTY (1320) 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 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. The two farthestmost points in any proration unit shall not be in excess of NINE THOUSAND (9,000) feet removed from each other. 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.

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 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 EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of THIRTY-TWO HUNDRED AND TWENTY (3,250) 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 EIGHTY (80) acres, then and in such event the remaining unassigned acreage up to and including a total of FORTY (40) 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.

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 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 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 prorable wells producing from this field.

RULE 4b: The daily oil allowable for each individual well shall not be allowable restricted or casinghead gas limited as the field is classified as salvage

Further, it is ordered by the Railroad Commission of Texas that suspension of the allocation formula (Rule 4a above) in the Smith Perryton (Morrow-Miss.) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Smith Perryton (Morrow-Miss.) Field drops below 100% of deliverability. If the market demand for gas in the Smith Perryton (Morrow-Miss.) 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. Failure to give such notice to the Commission may result in a fine (as provided for in Tex. Nat. Res. Code §86.222) for each day the operators fail to give notice to the Commission.

Done this the 18th day of December, 2007.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by OGC
Unprotested Master Order dated December 18, 2007)**