

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

**OIL AND GAS DOCKET
NO. 02-0259188**

**IN THE CLIP (FRIO UPPER) FIELD,
GOLIAD COUNTY, TEXAS**

**FINAL ORDER
AMENDING FIELD RULES FOR THE
CLIP (FRIO UPPER) FIELD
GOLIAD COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on October 21, 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 Field Rules for the Clip (Frio Upper) Field, adopted in Final Order No. 2-48,155, effective April 4, 1962, as amended, are amended as hereafter set out.

RULE 1: No gas well shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) 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 are the minimum distances to allow an operator flexibility in locating a well. 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 Rule 37, which applicable provisions of said rule is incorporated herein by reference.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed. Notwithstanding the above, there shall be no minimum requirement for between well spacing between horizontal and vertical wells.

RULE 2: The acreage assigned to an individual gas well shall be known as a proration unit. The standard drilling and proration units are established hereby to be FOUR HUNDRED TWENTY (420) acres. No proration unit shall consist of more than FOUR HUNDRED TWENTY (420) 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 FOUR HUNDRED SIXTY TWO (462) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of SIX THOUSAND EIGHT HUNDRED (6,800) feet removed from each other. Each proration unit containing less than FOUR HUNDRED TWENTY (420) 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 and proration units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a FORTY (40) acre fractional proration unit shall not be greater than TWO THOUSAND ONE HUNDRED (2,100) 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 3: The daily allowable production of gas from individual wells completed in a non-associated gas reservoir of 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.

The allocation formula in the Clip (Frio Upper) 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 Clip (Frio Upper) Field drops below 100% of deliverability.

Done this 12th day of November, 2008.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
November 13, 2008)**