

RAILROAD COMMISSION OF TEXAS
LEGAL DIVISION

OIL AND GAS DOCKET
03-0209739

IN THE NAVASOTA RIVER NO.
(CRETACEOUS LWR) FIELD
GRIMES COUNTY, TEXAS

FINAL ORDER
APPROVING THE APPLICATION OF CHESAPEAKE OPERATING, INC.
FOR NEW FIELD DISCOVERY AND DESIGNATED INTERVAL
IN THE NAVASOTA RIVER (CRETACEOUS LWR) FIELD
GRIMES COUNTY, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on September 8, 1995, 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 effective October 3, 1995, the application of Chesapeake Operating, Inc. for New Field Designation of the Navasota River (Cretaceous Lwr) Field (No. 64616 300), Grimes County, Texas, be and it is hereby approved.

It is further ordered by the Railroad Commission of Texas that effective the same date, the following temporary rules shall be adopted for the Navasota River (Cretaceous Lwr) Field, Grimes County, Texas.

RULE 1: The entire correlative interval from 13,472 feet to 13,709 feet as shown on the gamma ray/resistivity open hole log of the Viola Production, Inc. L.R. Fuqua Well No. 1, John Bowman Survey A-407, and the correlative interval from 12,653' to total logged depth as shown on the Array Induction Gamma Ray log of the Chesapeake Operating, Inc., Perry Well No. 1-H in the W.R. Sanders Survey, Grimes County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Navasota River (Cretaceous Lwr) Field.

RULE 2: No gas 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 TWELVE HUNDRED (1200) 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 therefore shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rule 37 and 38, which applicable provisions of said rule 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 3:

a. The acreage assigned an 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 ONE HUNDRED SIXTY (160) acres. No proration unit shall contain more than ONE HUNDRED SIXTY (160) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each proration unit so that an amount not to exceed a maximum of ONE HUNDRED SEVENTY-SIX (176) acres may be assigned. The two farthestmost points of any proration unit shall not be in excess of FOUR THOUSAND FIVE HUNDRED (4500) feet removed from each other. Each proration unit containing less than ONE HUNDRED SIXTY (160) 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.

b. An operator, at his option, shall be permitted to form optional drilling units of EIGHTY (80) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a EIGHTY (80) acre fractional proration unit shall not be greater than THREE THOUSAND TWO HUNDRED FIFTY (3250) feet removed from each other.

c. For the purpose of allocating allowable gas production, acreage may be assigned to each Horizontal Drainhole Well up to the acreage determined by the following formula. (In this formula, L is the Horizontal Displacement of the well in feet, and A is acreage assignable.)

$$A - [(L \times 0.11488) + 160] \times 1.5$$

Provided, however, that no such calculation shall be made unless L is at least 150 feet, and provided further that the result shall be rounded upward to the next number of acres evenly divisible by 40.

Notwithstanding that the acreage that may be assigned is to be determined by the above formula, horizontal wells may be drilled on units of the size, including optional 80-acre size, applicable to vertical wells.

The acreage determined by the above formula is the acreage prescribed for assignment to the well, but the operator may assign a lesser amount.

All points on the Horizontal Drainhole must be within the proration and drilling unit.

d. The maximum diagonal for each proration unit containing the Horizontal Drainhole Well shall not exceed the greater of the maximum diagonal allowed for a vertical well with the same acreage assigned or the number of feet determined by the following formula (rounded to the nearest 100 feet):

Maximum diagonal - $475.933 \sqrt{A}$, but not less than 2,000 feet plus the
Horizontal Drainhole Displacement.

Where A = the acres actually assigned to the proration unit.

e. 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 4: 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 proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all proratable wells producing from this field.

It is further ordered that these rules are temporary and effective until April 3, 1997, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and opportunity for hearing, should the evidence evaluated during review be insufficient to sustain spacing or proration unit rules, these temporary rules, on the Commission's own motion, will be terminated and the field will revert to Statewide spacing and density rules.

Done this _____ day of _____, 19_____.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN

COMMISSIONER

COMMISSIONER

ATTEST:

Secretary