

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

**OIL AND GAS DOCKET
NO. 03-0269786**

**IN THE MAGNOLIA SPRINGS (AUSTIN
CHALK) FIELD, JASPER, NEWTON AND
TYLER COUNTIES, TEXAS**

**FINAL ORDER
AMENDING FIELD RULE 2 FOR THE
MAGNOLIA SPRINGS (AUSTIN CHALK) FIELD,
JASPER, NEWTON AND TYLER COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on April 25, 2011, 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 Rule 2 of the field rules adopted in Oil and Gas Docket No. 03-0256485, issued effective July 15, 2008, for the Magnolia Springs (Austin Chalk) Field, Jasper, Newton and Tyler Counties, Texas, is amended as hereafter set out:

RULE 2: No vertical well for gas shall hereafter be drilled nearer than FOUR HUNDRED SIXTY-SEVEN (467) feet to any property line, lease line or subdivision line and no vertical well shall be drilled nearer that ONE THOUSAND TWO HUNDRED (1,200) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract.

No horizontal drainhole well for gas shall hereafter be drilled such that the penetration point or terminus of a horizontal drainhole is nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.

For each horizontal drainhole well, the perpendicular distance from any point on such horizontal drainhole between the penetration point and the terminus, to any point on any property line, lease line or subdivision line shall be a minimum of ONE THOUSAND TWO HUNDRED (1,200) feet. No point on a horizontal drainhole within the correlative interval shall be closer than ONE THOUSAND TWO HUNDRED (1,200) feet to such point on another horizontal well on the same lease, provided that this restriction on spacing

between wells shall not apply to horizontal drainhole wells that are parallel or subparallel and do not overlap more than ONE HUNDRED (100) feet.

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 120 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 permitted terminus and the other passing through the permitted penetration point.

Any point of a horizontal drainhole outside of the described rectangle must conform to the permitted distance to the nearest property line, lease line, or subdivision line measured perpendicular from the wellbore.

Provided further that, if the final survey point of the directional survey submitted to the Commission is within the range of 150 degrees to 210 degrees (for a south lateral) or within the range of 330 degrees to 30 degrees (for a north lateral), then the lateral of the as-drilled horizontal drainhole shall be considered to have been drilled perpendicular to the north or south property line, lease line or subdivision line, as the case may be.

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.

For any horizontal well, the directional survey shot points shall not be more than FIVE HUNDRED (500) feet apart for that portion of the horizontal well within ONE THOUSAND (1,000) feet of the permitted total depth of any lateral.

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

Done this 27th day of June, 2011.

**RAILROAD COMMISSION OF TEXAS
(Order approved and signatures
affixed by OGC Unprotected Master
Order dated June 27, 2011)**