

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 03-0280185**

**IN THE GIDDINGS (AUSTIN CHALK-3)
FIELD, BRAZOS, BURLESON, FAYETTE,
GRIMES, LEE, MADISON AND
WASHINGTON COUNTIES, TEXAS**

**FINAL ORDER
RENUMBERING AND AMENDING FIELD RULES FOR THE
GIDDINGS (AUSTIN CHALK-3) FIELD
BRAZOS, BURLESON, FAYETTE, GRIMES, LEE,
MADISON AND WASHINGTON COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on January 30, 2013, the presiding examiners have 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 examiners' 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 adopted in Final Order No. 3-66,660, effective February 7, 1977, as amended, for the Giddings (Austin Chalk-3) Field, Brazos, Burleson, Fayette, Grimes, Lee, Madison and Washington Counties, Texas, are hereby renumbered and amended. The renumbered and amended Field Rules are set out in their entirety as follows:

RULE 1: The entire correlative interval from 6,805 feet to 7,588 feet as shown on the log of the Clayton Williams Energy, Inc. - Lehman OL Unit, Well No. 1 Pilot Hole (API No. 42-287-32574), Samuel Gates Survey, A-10, Lee County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Giddings (Austin Chalk-3) Field.

RULE 2: No well for oil 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 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. 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.

Provided, however, that for purposes of spacing for horizontal drainhole wells, the following shall apply:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
- b. All take points in a horizontal drainhole well shall be a minimum of FOUR HUNDRED SIXTY SEVEN (467) feet from the property line, lease line, or subdivision line. A permit or an amended permit is required for any take point closer to the lease line than the lease line spacing distance, including any perforations added in the vertical portion or the curve of a horizontal drainhole well.
- c. All take points in a horizontal drainhole well shall be a minimum distance of ONE THOUSAND TWO HUNDRED (1,200) feet from take points in any existing, permitted, or applied for horizontal drainhole well on the same lease, unit or unitized tract.

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 50 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 first take point and the other side passing through the last take point.

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

For all horizontal drainhole wells, in addition to the penetration point and the terminus for the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first and last take point and any no-perf zones must be identified on the drilling permit application (Remarks Section) and plat. Operators shall file an as-drilled plat showing the surface location, wellbore path, penetration point, terminus point, first take point and last take point for all horizontal drainhole wells, regardless of allocation formula.

If the applicant has represented in the drilling application that there will be one or more no perf zones or "NPZ's" (portions of the wellbore within the field interval without take points), then the as-drilled plat filed after completion of the well shall be certified by a person with knowledge of the facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all pertinent and required data. In addition to the standard required data, the certified plat shall include the as-drilled track of the wellbore, the location of each take point on the wellbore, the boundaries of any wholly or partially unleased tracts within a Rule 37 distance of the wellbore, and notations of the shortest distance from each wholly or partially unleased tract within a Rule 37 distance of the wellbore to the nearest take point on the wellbore.

For any well permitted in this field, the penetration point need not be located on the same lease, pooled unit or unitized tract on which the well is permitted and may be located on an Offsite Tract. When the penetration point is located on such Offsite Tract, the applicant for such a drilling permit must give 21 days notice by certified mail, return receipt requested to the mineral owners of the Offsite Tract. For the purposes of this rule, the mineral owners of the Offsite Tract are (1) the designated operator; (2) all lessees of record for the Offsite Tract where there is no designated operator; and (3) all owners of unleased mineral interests where there is no designated operator or lessee. In providing such notice, applicant must provide the mineral owners of the Offsite Tract with a plat clearly depicting the projected path of the entire wellbore. In the event the applicant is unable, after due diligence, to locate the whereabouts of any person to whom notice is required by this rule, the applicant must publish notice of this application pursuant to the Commission's Rules of Practice and Procedure. If any mineral owner of the Offsite Tract objects to the location of the penetration point, the applicant may request a hearing to demonstrate the necessity of the location of the penetration point of the well to prevent waste or to protect correlative rights. Notice of Offsite Tract penetration is not required if (a) written waivers of objection are received from all mineral owners of the Offsite Tract; or, (b) the applicant is the only mineral owner of the Offsite Tract. To mitigate the potential for well collisions, applicant shall promptly provide copies of any directional surveys to the parties entitled to notice under this section, upon request.

RULE 3: 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 ONE HUNDRED SIXTY (160) acres. No proration unit shall consist of more than ONE HUNDRED SIXTY (160) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not

be in excess of FOUR THOUSAND FIVE HUNDRED (4,500) 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 ONE HUNDRED SIXTY (160) 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.

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 an EIGHTY (80) acre fractional proration unit shall not be greater than THREE THOUSAND TWO HUNDRED FIFTY (3,250) 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 4: The maximum daily oil allowable for a well in the field shall be determined by multiplying 4.1 barrels of oil per day per acre by the acreage assigned to the well for proration purposes. Provided, however, the daily oil allowable for a well in the field producing with a gas-oil ratio in excess of 4,000 cubic feet of gas per barrel of oil produced shall be allowed to produce only that volume of gas obtained by multiplying its maximum daily oil allowable by 4,000. The gas volume thus obtained shall be known as the daily gas limit of the well. The daily oil allowable of the well shall then be determined by dividing its daily gas limit by its producing gas-oil ration in cubic feet per barrel.

RULE 5: Proration Units for Horizontal Drainhole Wells

- (1) For the purpose of allocating allowable oil 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 Drainhole Displacement of the well in feet, and A is the acreage assignable.)

$$A = (L \times 0.11488) \text{ acres} + 160 \text{ acres}$$

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 drainhole wells may be drilled on units of this size, including the optional 80 acre size, applicable to vertical wells.

- (2) The acreage determined by the above formula is the acreage prescribed for assignment to the well, but the operator may assign a lesser amount.
- (3) All take points on the Horizontal Drainhole Well must be within the proration and drilling unit.
- (4) The maximum diagonal for each proration unit containing a 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 = $(475.933) \times (\text{Square Root of } A)$, but not less than 2,000 feet plus the Horizontal Drainhole Displacement.

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

Done this 26th day of February, 2013.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by Hearings Divisions' Unprotested Master Order dated February 26, 2013)