

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

**OIL AND GAS DOCKET
NO. 04-0268007**

**IN THE GATES RANCH (EAGLE FORD
SHALE) FIELD, WEBB COUNTY, TEXAS**

**FINAL ORDER
ADOPTING TEMPORARY RULES AND REGULATIONS
FOR THE GATES RANCH (EAGLE FORD SHALE) FIELD
WEBB COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on November 16, 2010, 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 following rules shall be adopted on a temporary basis for the Gates Ranch (Eagle Ford Shale) Field, Webb County, Texas

RULE 1: The entire correlative interval from 8,241 feet and 8,504 feet as shown on the log of the Gates 05D Well No. 2015, API 42-479-39809, Section 2182, J. Galan Survey, A-65, Webb County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Gates Ranch (Eagle Ford Shale) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED THIRTY(330) feet to any property line, lease line, or subdivision line. There is no minimum between well spacing requirement. 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.

Provided, however, that for purposes of spacing for horizontal 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. No horizontal drainhole well for oil or gas shall hereafter be drilled such that the first and last take point are nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.
- d. For each horizontal drainhole well, the perpendicular distance from any point on such horizontal drainhole between the first take point and the last take point to any point on any property line, lease line or subdivision line shall be a minimum of THREE HUNDRED THIRTY(330) feet

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 the purpose of assigning additional acreage to a horizontal well pursuant to Rule 86, the distance from the first take point to the last take point in the horizontal drainhole shall be used in such determination, in lieu of the distance from penetration point to terminus.

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

RULE 3: 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 EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) 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 EIGHTY EIGHT (88) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of THREE THOUSAND TWO HUNDRED FIFTY (3,250) feet removed from each other. Each proration unit containing less than EIGHTY (80) 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.

For all wells, 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 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 proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all prorable wells producing from the same reservoir.

It is further ordered that the allocation formula in the Gates Ranch (Eagle Ford Shale) Field is suspended. The allocation formula may be reinstated administratively if the market demand for gas in the Gates Ranch (Eagle Ford Shale) Field drops below 100% of deliverability. If the market demand for gas in the Gates Ranch (Eagle Ford Shale) 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.

It is further ordered that these rules are temporary and effective until May 30, 2012, 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, may be modified or terminated.

Done this 30th day of November, 2010.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
November 30, 2010)**