

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

**OIL AND GAS DOCKET
NO. 05-0225162**

**IN THE NAN-SU-GAIL (COTTON
VALLEY) FIELD, FREESTONE COUNTY,
TEXAS**

**FINAL ORDER
ADDING A NEW RULE 1, AMENDING AND
RENUMBERING RULES 1, 2 AND 3 OF THE FIELD RULES
ADOPTED IN FINAL ORDER NO. 5080,424
ISSUED EFFECTIVE OCTOBER 31, 1983, AS AMENDED,
NAN-SU-GAIL (COTTON VALLEY) FIELD
FREESTONE COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 19, 2000, 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 that the following Rule 1 be added to the field rules adopted in Final Order No. 5-80,424, issued effective October 31, 1983, as amended, for the Nan-Su-Gail (Cotton Valley) Field, Freestone County, Texas.

RULE 1: The entire correlative interval from 10,450 feet to 12,660 feet as shown on the Dual Induction Sonic log of the Valence Operating Company (formerly TXO Production Corporation) Eppes "B" Lease Well No. 1, Mariano Palacios Survey, Freestone County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Nan-Su-Gail (Cotton Valley) Field.

It is further ordered by the Railroad Commission of Texas that Rules 1, 2 and 3 of the field rules adopted in Final Order No. 5-80,424, issued effective October 31, 1983, as amended, for the Nan-Su-Gail (Cotton Valley) Field, Freestone County, Texas be and they are renumbered and amended as hereafter set out.

RULE 2: No well for gas shall hereafter be drilled nearer than SIX HUNDRED SIXTY (660) feet to any property line, lease line, or subdivision line and no well shall be drilled nearer than ONE THOUSAND THREE HUNDRED TWENTY (1320) 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.

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 SIX HUNDRED FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED FORTY (640) 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 SEVEN HUNDRED FOUR (704) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of NINE THOUSAND FIVE HUNDRED (9500) feet removed from each other. Each proration unit containing less than SIX HUNDRED FORTY (640) 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 units of ONE HUNDRED SIXTY (160) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a ONE HUNDRED SIXTY (160) acre fractional proration unit shall not be greater than FOUR THOUSAND FIVE HUNDRED (4500) 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 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:

NINETY-FIVE percent (95%) 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.

FIVE percent (5%) of the total field allowable shall be allocated equally among the individual prorable wells producing from this field.

Done this eighth day of August, 2000.

RAILROAD COMMISSION OF TEXAS

Chairman Michael L. Williams

Commissioner Charles R. Matthews

Commissioner Tony Garza

ATTEST:

Secretary