

**RAILROAD COMMISSION OF TEXAS  
OFFICE OF GENERAL COUNSEL  
OIL AND GAS SECTION**

**OIL AND GAS DOCKET  
NO. 06-0249813**

**IN THE HUXLEY (FREDRICKSBURG)  
FIELD, SHELBY COUNTY, TEXAS**

**FINAL ORDER  
ADOPTING RULES AND REGULATIONS  
FOR THE HUXLEY (FREDRICKSBURG) FIELD  
SHELBY COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on January 5, 2007, 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 for the Huxley (Fredricksburg) Field, Shelby County, Texas. The field is designated as Associated-Exempt.

**RULE NO. 1:** The entire correlative interval from 3,162' to 3,362' subsurface depth as shown on the Array Induction Dual Spaced Neutron Spectral Density of the Samson Lone Star Partnership, Ltd., Hansen G.U. Lease Well No. 1-1, John Hailey Survey, A-291, Shelby County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Huxley (Fredricksburg) Field.

**RULE NO. 2:** No vertical well shall hereafter be drilled nearer than THREE HUNDRED AND THIRTY (330) feet to any property line, lease line or subdivision line and no well shall be drilled nearer than SIX HUNDRED AND SIXTY (660) 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 NO. 3:** No horizontal drainhole well for gas shall hereafter be drilled nearer than six hundred and sixty (600) feet to any other well, completed or drilling in the same field on the same lease, pooled unit, or unitized tract; provided, however, that no between well spacing restriction shall apply (1) between a horizontal drainhole well and any vertical well, or (2) between the drainholes of horizontal drainhole wells within the first one hundred (100) feet or the last one hundred (100) feet of either horizontal drainhole well lateral(s). The minimum well spacing for horizontal drainhole wells shall be governed by the following provisions:

- a. No horizontal drainhole well shall hereafter be drilled such that the penetration point or terminus of a horizontal drainhole within the correlative interval is nearer than one hundred (100) feet to any property line, lease line, or subdivision line.
- b. For each horizontal drainhole the distance measured perpendicular to a horizontal drainhole from any point on such horizontal drainhole to any point on any property line, lease line or subdivision line shall be a minimum of three hundred and thirty (330) feet.
- c. A horizontal drainhole well may be developed with multiple lateral drainholes and these lateral drainholes shall not be subject to minimum between well spacing with respect to each other nor subject to drainhole length overlap restrictions.

The aforementioned distances are minimum distances to allow an operator flexibility in locating a well for the purposes of permitting only one well to each drilling 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 exceptions to these rules is desired, application shall be filed and will be acted upon in accordance with the provision of the Commission's Statewide Rule 37 and 38, which applicable provisions of said Rules are incorporated herein by reference.

**RULE NO. 4:** The acreage assigned an individual 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 FORTY (40) acres. No proration unit shall contain more than FORTY (40) acres. The two farthestmost points of any proration unit shall not be in excess of TWENTY-ONE HUNDRED (2100) feet removed from each other. Each proration unit containing less than FORTY (40) 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.

Notwithstanding the above, the acreage assigned a well which has been drilled as a horizontal drainhole well may contain more than FORTY (40) acres as determined by the following formula:

$$A = (L \times 0.11488) + 40$$

Where A = acreage assignable to a horizontal drainhole for proration purposes;

Where L is the length of the horizontal drainhole that penetrates the designated interval and in the event of multiple laterals, the longest lateral shall be used for the determination of L;

Provided, however, that no such calculation shall be made unless L is at least one hundred and fifty (150) feet and provided further that the result shall be rounded upward to the next number of acres evenly divisible by forty (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 this size applicable to vertical wells in this field.

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

All points within the correlative interval of the horizontal drainhole well must be within the proration unit and drilling unit.

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

Maximum diagonal =  $475.933\sqrt{A}$ , but not less than two thousand (2100) feet plus the horizontal drainhole displacement, where A = the acreage actually assigned to the proration unit.

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 NO. 5a:** The maximum daily oil allowable for a well in the field shall be determined by multiplying the applicable yardstick allowable for a well in the field by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for proration purposes, exclusive of tolerance acreage. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide

Rule 49(a) when applicable.

**RULE NO. 5b:** The daily 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 by the Railroad Commission of Texas that the allocation formula in the Huxley (Fredricksburg) Field is suspended. The allocation formula may be reinstated administratively if the market demand for gas in the Huxley (Fredricksburg) Field drops below 100% of deliverability. If the market demand for gas in the Huxley (Fredricksburg) 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. Failure to give such notice to the Commission may result in a fine (as provided for in Tex. Nat. Res. Code §86.222) for each day the operators fail to give notice to the Commission.

Done this 23rd day of January, 2007.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by OGC  
Unprotested Master Order dated January 23,  
2007)**