

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

**OIL AND GAS DOCKET
NO. 06-0259436**

**IN THE BLOCKER (COTTON VALLEY)
FIELD, HARRISON AND RUSK
COUNTIES, TEXAS**

**FINAL ORDER
AMENDING FIELD RULE NOS. 2 AND 3 FOR THE
BLOCKER (COTTON VALLEY) FIELD
HARRISON AND RUSK COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on November 12, 2008, 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 Field Rule Nos. 2 and 3, of the Field Rules adopted in Final Order No. 6-69,388, effective July 31, 1978, as amended, for the BLOCKER (Cotton Valley) Field, Harrison and Rusk Counties, Texas are hereby amended. The amended field Rules 2 and 3 are set out below:

RULE 2: No well for gas shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line, or subdivision line. No vertical well shall be drilled nearer than NINE HUNDRED THIRTY THREE (933) 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 in either field. 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 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 into the wellbore 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. Horizontal drainhole wells may penetrate or terminate within the field interval at any location on a lease, pooled unit or unitized tract, provided that 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 NINE HUNDRED THIRTY THREE (933) feet from any existing, permitted, or applied for horizontal drainhole well take points on the same lease, unit or unitized tract. There is no minimum between well spacing requirement from take points in a horizontal drainhole well to any other existing, permitted, or applied for vertical well on the same lease, unit or unitized tract.

RULE 3: The acreage assigned to an 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 AND FOUR (704) acres may be assigned. 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 FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

There is no maximum diagonal limitation in this field and operators are not required to file Form P-15 and plats, except an as-drilled plat showing the path, penetration point, terminus and all take points of all drainholes in horizontal wells, regardless of allocation formula. In addition to the penetration point and the terminus of the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, all proposed take points must also be identified on the drilling permit application (remarks section) and plat.

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.

It is further ordered that the allocation formula for the field shall remain suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the BLOCKER (Cotton Valley) Field drops below 100% of deliverability.

Done this 16th day of December, 2008.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
December 16, 2008)**