

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

**OIL AND GAS DOCKET
NO. 7C-0258185**

**IN THE I.A.B., NE. (PENN. 5150)
FIELD, COKE COUNTY, TEXAS**

**FINAL ORDER
AMENDING FIELD RULES FOR THE
I.A.B., NE. (PENN. 5150) FIELD
COKE COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on August 13, 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 the Field Rules for the I.A.B., NE. (Penn. 5150) Field, adopted in Final Order No. 7-47,997, effective April 4, 1962, as amended, are renumbered and amended as hereafter set out:

RULE 1: The correlative interval from 4,984 feet to 5,054 feet as shown on the Schlumberger Induction - Electric log of the Standard Oil Company of Texas - Mary G. Hays Lease, Well No. 1, (API No. 42-081-01015), shall be designated as a single reservoir for proration purposes and be designated as the I.A.B., NE. (Penn. 5150) Field.

RULE 2: No well for oil or gas 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 SIX HUNDRED (600) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. The aforementioned distance is the minimum distance to allow an operator flexibility in locating a well. 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, 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 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 FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. 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 FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) 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.

For the determination of acreage credit in this field, operators shall file for each well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or unit. Operators in this field shall not be required to file plats with the Form P-15.

RULE 4: 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 5: Oil from the various leases in said field shall either be conducted to and measured in separate storage tanks assigned to and located on each lease, or shall be conducted to meters and separately metered by leases into common storage systems. Commingling of oil produced from the reservoir in this field with oil produced from reservoirs in other fields in the area shall be permitted, provided the oil shall be conducted to meters and separately metered by leases and by reservoirs prior to commingling into common storage systems. It is further provided that the metering of oil under permission granted hereunder shall be in accordance with and subject to the following provisions:

(a) Only dump type meters which record positive volumes of oil or positive displacement type meters that register the volume of oil passed through them directly in barrels of 42 U.S. Standard gallons may be used.

(b) All oil produced from each separate lease or unitized tract that is not measured in individual lease tanks prior to removal therefrom, must be conducted to a meter for measurement.

(c) Meters shall be, except as hereinafter provided, installed only between the oil

and gas separator and the dump valve actuated by said separator so that all oil passing through said meter passes first through the separator, thence from the bottom of the separator through the meter, from the meter through the dump valve, and thence to the storage facilities. Provided, however, that where oil to be metered required treatment for the separation of basic sediment and water, or either, it shall be permissible to install the meter used to measure the treated oil between the discharge side of the treating tank or such other device as is used to effect the separation and the storage facilities.

(d) There shall be no by-pass connections on lead lines to meters, nor any connections between individual lead lines to meters, nor shall there be any fittings on such lead lines that will permit installing by-pass connections so that any oil can pass into storage or central transportation facilities without first being accurately metered. Should any meter installation be determined by the Commission to be directly or indirectly by-passed in such manner as to permit oil to pass into storage or into transportation facilities without first passing through said meter, or should two or more lead lines leading to meters be determined by the Commission to be connected in such manner as to cause any meter or meters to record all or any part of the oil which should be properly recorded by any other meter or meters, then the Commission may on the date of such determination cancel all outstanding tenders authorizing the removal of oil from the leases involved, and may thereafter resume the approval of tenders for the removal of oil from such leases only after it has been satisfied that compliance has been and will thereafter be made with the provisions hereof.

(e) All meters and dump valves shall be used and shall be kept in good working order. Signs shall be posted at each meter indicating the lease name and well number, or well numbers, of all wells produced through that meter. Any meter used to measure the oil produced from any well or wells which deviated in its recording by more than plus or minus two (2) percent from the volume passed through said meter and gauged in the test tank under conditions of pipe line receiving rules shall be condemned and immediately repaired or replaced so that the volume of oil recorded by the meter used conforms to the tolerance limitations herein set out.

(f) Metered volumes of oil may be used in making production and pipe line reports to the Railroad Commission only when the total of such metered volumes is balanced with and made exactly equal to the total volume of oil gauged in the storage tanks to which such metered volumes have been run. Where metered volumes are used on the Commission's monthly production report required of operators, such reports shall show the meter number, the lease from which the oil was measured through that meter, and the corrected meter readings at the beginning and at the end of the production period reported.

Done this 9th day of September, 2008.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
September 9, 2008)**