

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL

OIL AND GAS DOCKET
NO. 7C-0273693

IN THE MEADOW CREEK (CANYON)
FIELD, COKE COUNTY, TEXAS

FINAL ORDER
ADOPTING TEMPORARY FIELD RULES FOR THE
MEADOW CREEK (CANYON) FIELD
COKE COUNTY, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on April 25, 2012, 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 Meadow Creek(Canyon) Field, Coke County, Texas.

RULE 1: The entire correlative interval from 5,100 feet to 5,440 feet as shown on the Dual Induction log of the Ketal Oil Producing Co. - Pentacost "B" Lease Well No. 1, (API 42-081-31009), H&TC RR Co Survey, A-293, Sec 309, Blk -1A, Coke County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Meadow Creek (Canyon) Field.

RULE 2: No gas or oil well shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) 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 distances in the above rule are minimum distances to allow an operator flexibility in locating a well. The Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission determines 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 an 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 contain more than FORTY (40) acres. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil or gas. 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.

An operator, at his option, shall be permitted to form optional drilling units of TWENTY (20) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

For the determination of acreage credit in this field, operators shall file for each oil or gas 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 for proration purposes. Operators shall be required to file, along with the Form P-15, a plat of the lease, unit or property; provided that such plat shall not be required to show individual proration units.

RULE 4: The maximum daily oil allowable for each well in the subject field shall be based on the applicable yardstick oil allowable and the actual allowable for an individual well shall be determined by the sum total of the two following values:

- a. Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing the maximum acreage authorized exclusive of tolerance acreage multiplied by TWENTY FIVE percent (25%) and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well and the denominator of which is the maximum acreage authorized for a proration unit exclusive of tolerance acreage.
- b. Each well shall be assigned an allowable equal to SEVENTY FIVE PERCENT (75%) of the maximum daily oil allowable above.

It is further ordered that these rules are temporary and effective until July 17, 2014, 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 17th day of July, 2012.

RAILROAD COMMISSION OF TEXAS
(Order approved and signatures affixed by
OGC Unprotested Master Order dated July
17, 2012)