

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

**OIL AND GAS DOCKET
NO 08-0249244**

**IN THE KEYSTONE (ELLENBURGER)
FIELD, WINKLER COUNTY, TEXAS**

**FINAL ORDER
ADOPTING AMENDED AND RESTATED
TEMPORARY RULES AND OPERATING PROCEDURES
FOR THE KEYSTONE (ELLENBURGER) FIELD
WINKLER COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-referenced docket heard March 3, 2010, the presiding examiner has made and filed a report and recommendation which contains Findings of Fact and Conclusions of Law, for which service was not required; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission finds that at the hearing on March 3, 2010, all operators expressed support for the temporary rules and operating procedures embodied in the Commission's Order in Docket No. 08-0230429 dated effective December 1, 2002, as modified by this Order; and, the Commission further finds that such rules and operating procedures are designed to prevent waste of hydrocarbons in the Keystone (Ellenburger) Field, and to protect the correlative rights of all operators during the interim period for which the parties envision that the Order will be in effect.

Therefore, it is ordered by the Railroad Commission of Texas that effective April 1, 2010, the following temporary rules and operating procedures are adopted for the Keystone (Ellenburger) Field:

1. The temporary field rules adopted in Dockets 8-97,148, 8-97,804 and 08-0201742 remain suspended; this Order also amends the Temporary Field Rules adopted in Docket No. 08-0204813, effective February 1, 1995, as amended by the Final Order in Docket No. 08-0215726, dated May 6, 1997, as amended by the Final Order in Docket No. 08-0230429, and, restates the entire Special Field Rules for the field, as of the Effective Date.
2. All allowables for casinghead gas or gas well gas for wells completed in this field established by prior special field rules or statewide rules are hereby abolished for so long as these temporary field rules are in effect. During such time, gas may be produced from wells completed in this field only pursuant to the allowables established under temporary field rules 3 and 4 below. Nothing in this order is intended to affect the designation of the subject field as a qualified co-production project in Docket No. 08-0202912.

3. Base Reservoir Gas Allowables and Water Production.

There is hereby established a "base reservoir gas allowable" ("BRGA") for the reservoir of 21,038 MCF per day, which may be produced by the operators in the proportions and subject to the conditions set out below.

- a. The BRGA and water production credit shall be distributed among the two existing operators in the field, in the following percentages:

Devon, as operator of the South Keystone Ellenburger Unit ("SKEU") - 46.55% (9,793 MCFD)

BOPCO, L.P., as operator of various non-unitized properties - 53.45% (11,245 MCFD)

- b. The BRGA shall only be assigned in months when the total field water production disposed of elsewhere exceeds a daily average of 13,000 BWPD. In each such month, each operator will earn a gas allowable credit for its allocated share of the reservoir BRGA ("Earned BRGA") equal to 275 SCF/BW produced from the field by that operator and injected elsewhere. Except as provided in paragraph 5.d., below, no operator will be given gas credit for produced water in excess of its above-stated share of 76,500 BWPD from the reservoir. The water production rate may, however, be increased or decreased proportionately upon the request of all operators and administrative approval by Commission staff as provided in subparagraph c., below. Water production from each operator in the field shall be metered continuously and reported monthly to the Commission. Water meters used to measure water production shall be calibrated no less frequently than once each calendar quarter, beginning the month after this Order is adopted.
- c. The initial gas/water ratio of 275 SCF/BW produced from the field and injected elsewhere may be increased to a value not greater than 350 SCF/BW, or decreased to a value not lower than 200 SCF/BW, by request of all operators, and administrative approval by Commission staff. No such request shall be effective until approved in writing by appropriate Commission staff. The fieldwide BRGA shall not, however, thereby be increased or decreased from 21,038 MCFD established by this Order. Rather, any change in the gas/water ratio credit will only affect the amount of water production necessary to earn the credit.

4. Gas Bank Gas Production.

The final gas bank credit of each operator earned under the Orders referred to in Rule 1, above, shall be fixed as of February 1, 1995, and will not be increased during the effective time of this interim order. All Gas Bank allowables and production are suspended until further Order of the Commission.

This Order shall not affect any gas bank balances under the rules that existed prior to the 1992 Orders establishing temporary rules and operating procedures for this field.

5. Balancing.

- a. The operators are permitted to produce, on a maximum daily basis, only those volumes of gas permitted in paragraphs 3, 4 and 5 hereof. Operators are not permitted to "make up" during a monthly or other balancing period any daily volume of Earned BRGA or gas bank gas withdrawal not produced, except strictly as set out below.
- b. Each operator shall make all possible efforts to produce at least 75% but not more than 125% of its allocated daily share of BRGA and gas bank allowable. Any operator that is overproduced by more than 6.25% of its total Earned BRGA and gas bank allowables for the preceding four months must balance such overproduction by underproduction of earned gas credits from water production, or gas bank allowables, as appropriate, in the six months following such four-month period. If such overproduction is not completely eliminated during such six-month period, the overproduced operator shall shut-in all gas production until balance is achieved in the same manner.
- c. Any operator that has underproduced its share of Earned BRGA or gas bank allowable, may overproduce its share up to an amount not to exceed 25% of its normal monthly share in any month until such underproduction is eliminated; but, such make-up production will only be permitted if it will not adversely affect any other operator's ability to produce its regular daily allocated percentage of gas and water production as provided in paragraphs 3 and 4 above.
- d. If any operator is underproduced with respect to its share of water production in any month, that operator may, to the extent of its

underproduction, overproduce its share of water production in the two subsequent months, but not thereafter, and thereby earn BRGA associated with the amount of water production made up.

6. Each operator may produce its required water production to earn BRGA, and its gas allowables under paragraphs 3 and 4 from any well or wells it chooses. Operators of more than one non-unitized lease should adopt a plan of production that is designed to prevent any unreasonable discrimination between leases.
7. The operators shall submit their monthly volumes of production of oil, gas and water, and a copy of the completed form to report compliance with these Rules (Revised 04/10), to each other operator, and to the Commission, not later than the last day of the month following the month of production.
8. The allowable assigned to an oil well shall be a capacity allowable.
9. During the time this Order is in effect, operators are not required to have separate metering, separation and storage equipment for each gas well on a lease
10. This Order shall be effective April 1, 2010. The Commission shall conduct a further hearing to review the effectiveness of this interim Order during the month of April 2013.
11. The provisions of this Order are not intended to nor shall they be interpreted as establishing a gas allocation formula or maximum efficient rate of production for final "blow down" of this reservoir.

Done this 23rd day of March, 2010.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
March 23, 1010)**