

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

**OIL AND GAS DOCKET
NO. 08-0258358**

**IN THE TOYAH, NW (SHALE) FIELD,
REEVES COUNTY, TEXAS**

**FINAL ORDER
AMENDING FIELD RULES
FOR THE TOYAH, NW (SHALE) FIELD
REEVES COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on January 16, 2009, the presiding examiners have made and filed a report and proposal for decision containing findings of fact and conclusions of law, which was served on all parties of record; 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 proposal for decision, the findings of fact and conclusions of law contained therein, and any exceptions and replies filed thereto, hereby adopts as its own findings of fact Nos. 1-4, 6-9 and 12, and conclusions of law Nos. 1 and 2, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein. The Commission hereby adopts substitute findings of fact No. 5, No. 10 and No. 11 and substitute conclusion of law No. 3 as set out below:

Substitute Findings of Fact No. 5, No. 10 and No. 11:

5. After the pre-hearing conference held on October 24, 2008, party status was granted to Chesapeake, COG Operating LLC ("COG"), Brad Bennett ("Bennett"), and Fasken Land and Minerals, Ltd. ("Fasken").
 - a. Bennett and Fasken have unleased minerals in both Reeves and Culberson Counties. Additionally, Fasken and Bennett own surface acreage in both counties and have leased the minerals on behalf of the General Land Office (Mineral Classified Lands).
 - b. COG is the operator of two inactive wells in the field. On November 4, 2008, COG withdrew its party status.
 - c. Chesapeake operates all of the active wells in the field.
10. Volumetric calculations submitted by Bennett & Fasken for four vertical wells indicate drainage areas ranging from 102 acres to 200 acres.

11. Further development of the Toyah, NW (Shale) Field under a density rule of 320 acres is consistent with the rules governing the Newark, East (Barnett Shale) Field.

Substitute Conclusion of Law No. 3:

3. Amending Rule 3 of the field rules for the Toyah, NW (Shale) Field to provide for base 320 acre density, on a temporary basis subject to review in 24 months, will not harm correlative rights or cause waste, and will promote the orderly development of the field.

Therefore, it is ordered by the Railroad Commission of Texas that Rule Nos. 1, 2 and 4 of the field rules adopted in Final Order No. 08-0248239, effective October 11, 2006, for the Toyah, NW (Shale) Field, Reeves County, Texas, are continued in effect. It is further ordered Rule 3 of the field rules adopted in Final Order No. 08-0248239, effective October 11, 2006, for the Toyah, NW (Shale) Field, Reeves County, Texas, is amended as hereafter set out :

RULE 3: The acreage assigned to the 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 THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) 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 THREE HUNDRED FIFTY TWO (352) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of SIX THOUSAND FIVE HUNDRED (6,500) feet removed from each other. Each proration unit containing less than THREE HUNDRED TWENTY (320) 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.

The acreage assigned to a horizontal drainhole may contain more than that for a standard proration unit for a vertical well provided that the assignment of such acreage is governed by Statewide Rule 86.

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.

These amended field rules are temporary and effective until further order of the Commission after notice and hearing.

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

This order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

Done this 30th day of June, 2009.

RAILROAD COMMISSION OF TEXAS

Chairman Victor G. Carrillo

Commissioner Elizabeth A. Jones

Commissioner Michael L. Williams

ATTEST:

Secretary