

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

**OIL AND GAS DOCKET  
NOS. 8A-0247678 & 8A-0248195**

**IN THE SMYER, N. (CANYON) AND  
SMYER, N. (STRAWN) FIELDS, HOCKLEY  
COUNTY, TEXAS**

**FINAL ORDER  
ADDING NEW RULE 1, AMENDING AND  
RENUMBERING RULES 1, 2 AND 3 OF THE FIELD RULES  
ADOPTED IN FINAL ORDER NO. 8A-36,926  
ISSUED EFFECTIVE DECEMBER 19, 1957, AS AMENDED,  
FOR THE SMYER, N. (CANYON) AND SMYER, N. (STRAWN) FIELDS  
HOCKLEY COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 18, 2006, the presiding examiner has 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 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 that the following Rule 1 be added to the field rules adopted in Final Order No. 8A-36,926, issued effective December 19, 1957, as amended, for the Smyer, N. (Canyon) and Smyer, N. (Strawn) Fields, Hockley County, Texas.

**RULE 1:** The entire correlative interval from 9740 feet to 10,040 feet shall be designated as a single reservoir for proration purposes and be designated as the Smyer, N (Canyon) Field; and from 10,040 feet to 10,130 feet shall be designated as a single reservoir for proration purposes and be designated as the Smyer, N. (Strawn) Field; both intervals as shown on the log of the Pan American Petroleum Corporation Ellwood "A" Lease, Well No. 108, API No. 219-10308, Section 15, Blk. A, R.H. Thompsom Survey, Hockley County.

It is further ordered by the Railroad Commission of Texas that Rules 1, 2 and 3 of the field rules adopted in Final Order No. 8A-36,926, issued effective December 19, 1957, as amended, for the Smyer, N. (Canyon) and Smyer, N. (Strawn) Fields, Hockley County, Texas be and they are amended as hereafter set out.

**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 TWELVE HUNDRED (1200) 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. 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.

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. The two farthestmost points in any proration unit shall not be in excess of TWO THOUSAND ONE HUNDRED (2100) feet removed from each other; provided however, that in the case of long and narrow leases or in cases where because of the shape of the lease such is necessary to permit the utilization of tolerance acreage, the Commission may after proper showing grant exceptions to the limitations as to the shape of proration units as herein contained. 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.

RULE 4: The maximum daily oil allowable for each well in the subject field shall be 172 barrels of oil per day, upon expiration of the discovery 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 its potential based on the most recent well test filed with the Commission multiplied by NINETY-FIVE (95)%, provided that this value shall not exceed 172 barrels of oil per day multiplied by NINETY-FIVE (95)%.
- b. Each well shall be assigned an allowable equal to FIVE (5)% of the maximum daily oil allowable above.

Done this eighth day of August, 2006.

**RAILROAD COMMISSION OF TEXAS**  
**(Order approved and signatures affixed by OGC**  
**Unprotested Master Order dated August 8, 2006.)**