

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

**OIL AND GAS DOCKET
NO. 09-0240219**

**IN THE WORSHAM-STEED FIELD
JACK COUNTY, TEXAS**

**FINAL ORDER
AMENDING AND RENUMBERING THE FIELD RULES
ADOPTED IN FINAL ORDER NO. 9-3583
ISSUED EFFECTIVE APRIL 6, 1942, AS AMENDED
FOR THE WORSHAM-STEED FIELD
JACK COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on December 2, 2004, the presiding examiners' have made and filed a report and proposal for decision containing findings of fact and conclusions of law, for which service was served on all parties; 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 examiners' report and proposal for decision, and any exceptions and replies, 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 Special Field Rules as adopted in Final Order No. 9-3583, issued effective April 6, 1942, as amended, for the Worsham-Steed Field, Jack County, Texas be and are renumbered and amended as hereafter set out. All other special rules as adopted in Final Order No. 9-3583, issued effective April 6, 1942, as amended, that are not addressed in this order are rescinded.

RULE 1: No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED AND THIRTY (330) feet to any property line, lease line, or subdivision line and no well shall be drilled nearer than NINE HUNDRED AND THIRTY-THREE (933) 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.

RULE 2: The acreage assigned to the individual 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 TWENTY-ONE HUNDRED (2,100) 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.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

RULE 3: The daily allowable production from an individual well completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their allowables, among the individual wells in the following manner:

FIFTY percent (50%) of the total field allowable shall be allocated among the individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all prorable wells producing from this field.

FIFTY percent (50%) of the total field allowable shall be allocated based on the sum of the prorable wells in the field.

RULE 4: An operator hereafter drilling a well in this field for completion below the Bend Conglomerate gas storage reservoir shall block squeeze cement (or other such cementing methods) the Bend Conglomerate from a point not less than 100 feet below the base of the Bend Conglomerate to a point not less than 100 feet above the top of the Bend Conglomerate as indicated by the electric log of the well. A cement bond log shall be required to indicate the top and bottom of the cement block squeeze and the quality of the cement bonding. Any completed well that is subsequently re-completed to a zone above the Bend Conglomerate must adequately seal off the storage zone by setting a cement plug at least 100 feet below the Bend Conglomerate gas storage zone to a point at least 100 feet above the Bend Conglomerate gas storage zone. The location and competency of the cement plug shall be evidenced by tagging. Any well that is drilled through the Bend Conglomerate gas storage zone and casing is not set through the Bend Conglomerate, in addition to other plugs required by the Commission, shall set a cement plug at a point at least 100 feet below the Bend Conglomerate to a point at least 100 feet above the Bend Conglomerate. The

location and competency of the cement plug shall be evidenced by tagging.

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 order is served on the parties.

Done this _____ day of _____, 2005.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN VICTOR G. CARRILLO

COMMISSIONER MICHAEL L. WILLIAMS

COMMISSIONER ELIZABETH A. JONES

ATTEST:

Secretary