

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

**OIL AND GAS DOCKET
NO. 09-0258551**

**IN THE KNIGHT FIELD, YOUNG
COUNTY, TEXAS**

**FINAL ORDER
RESCINDING AND AMENDING SPECIAL FIELD RULES FOR THE
KNIGHT FIELD
YOUNG COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on September 5, 2008, 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 Special Field Rules adopted in Special Order No. 7-540, issued effective January 5, 1939, as amended, for the Knight Field, Young County, Texas be rescinded and the following rules shall be adopted.

RULE 1: The entire correlative interval between 3,718 feet and 3,934 feet, as shown on the log of the Roye Operating Co. - Stoffers Well No. 1, API No. 503-38876, G.W. Parker Survey, A-1513, Young County, shall be designated as a single reservoir for proration purposes and be designated as the Knight Field.

RULE 2: No well for oil shall hereafter be drilled nearer than FOUR HUNDRED AND SIXTY SIX (466) feet to any property line, lease line or subdivision line and there shall be no between well spacing requirement. 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 TWENTY (20) acres. No proration unit shall consist of more than TWENTY (20) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of ONE THOUSAND FIVE HUNDRED (1,500) 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 TWENTY (20) acres, then and in such event the remaining unassigned acreage up to and including a total of TEN (10) 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.

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.

RULE 4: The maximum daily oil allowable for a well in the field shall be determined by multiplying the applicable yardstick allowable for a well in the field, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for proration purposes, exclusive of tolerance acreage. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49(a) when applicable.

RULE 5: The permitted gas-oil ratio for all wells shall be THREE THOUSAND (3,000) cubic feet of gas per barrel of oil produced. Any oil well producing with a gas-oil ratio in excess of THREE THOUSAND (3,000) cubic feet of gas per barrel of oil produced shall be allowed to produce daily only that volume of gas obtained by multiplying its daily oil allowable, as determined by the allocation formula applicable to the well, by THREE THOUSAND (3,000). The gas volume thus obtained shall be known as the daily gas limit of the well. The daily oil allowable of the well shall then be determined by dividing its daily gas limit, obtained as herein provided, by its producing gas-oil ratio in cubic feet per barrel of oil produced.

Done this 12th day of November, 2008.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
November 12, 2008)**