

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

**OIL AND GAS DOCKET
NO. 10-0253877**

**IN THE RED DEER CREEK (GRANITE
WASH) FIELD, ROBERTS AND
HEMPHILL COUNTIES, TEXAS**

**FINAL ORDER
AMENDING THE FIELD RULES NO. 2 AND 3 OF THE FIELD RULES
AMENDED IN FINAL ORDER NO. 10-0240855
ISSUED EFFECTIVE JANUARY 25, 2005, AS AMENDED
FOR RED DEER CREEK (GRANITE WASH) FIELD
ROBERTS AND HEMPHILL COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on December 6, 2007, 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 No. 2 and 3 adopted in Final Order No. 10-0240855, issued effective January 25, 2005, as amended, for the Red Deer Creek (Granite Wash) Field, Roberts and Hemphill Counties, Texas be and are amended as hereafter set out.

RULE 2: No well for gas shall hereafter be drilled nearer than FOUR HUNDRED AND SIXTY-SEVEN (467) feet to any property line, lease line, or subdivision line and no well shall be drilled nearer than FOUR HUNDRED AND SIXTY-SEVEN (467) 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 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 ONE HUNDRED AND SIXTY (160) acres. No proration unit shall consist of more than ONE HUNDRED AND SIXTY (160) 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 ONE HUNDRED AND SEVENTY-SIX (176) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of FOUR THOUSAND FIVE HUNDRED (4,500) feet removed from each other. Each proration unit containing less than ONE HUNDRED AND SIXTY (160) 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.

An operator, at his option, shall be permitted to form optional drilling units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a FORTY (40) acre fractional proration unit shall not be greater than TWO THOUSAND ONE HUNDRED (2100) feet removed from each other.

Under the following conditions, an operator, at its option, shall be granted an exception to Statewide Rule 38 and permitted to form fractional units of less than FORTY (40) acres:

- (a) The Railroad Commission shall notify in writing the operators and unleased mineral owners of tracts (i) within 660 feet from the bottomhole location of a vertical well or (ii) within 660 feet of any point on a horizontal well within the correlative interval.
- (b) Operators and unleased mineral interest owners receiving this written notification shall have 21 days from the date of issuance of the notice of application for a Rule 38 density exception to file a written protest with the Railroad Commission, such protest to be received by the Railroad Commission within said 21 day period.
- (c) If no written protest is received by the Railroad Commission within the 21 day period of time, or if written waivers are received from each operator or mineral interest owner to whom notice is required, the application shall be approved administratively by the Railroad Commission.
- (d) If a written protest is received by the Railroad Commission within 21 days of the date of issuance of the notice of application, the application will be scheduled for hearing at which the applicant must show that the fractional proration unit and the well thereon are necessary to effectively drain an area of the field that will not be effectively drained by existing wells, or to prevent waste or confiscation.
- (e) Permits granted pursuant to the above provision shall be issued as

exceptions to Statewide Rule 38.

Operators shall not be required to file Form P-15 or proration unit plats for any well in the field while the allocation formula remains suspended.

It is further ordered that the allocation formula in the Red Deer Creek (Granite Wash) Field will remain suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the Red Deer Creek (Granite Wash) Field drops below 100% of deliverability.

Done this 18th day of December, 2007.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
December 18, 2007)**