

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

**OIL AND GAS DOCKET  
NO. 10-0262314**

**IN THE PEERY, N. (CLEVELAND) FIELD,  
LIPSCOMB COUNTY, TEXAS**

**FINAL ORDER  
ADOPTING FIELD RULES FOR THE  
PEERY, N. (CLEVELAND) FIELD  
LIPSCOMB COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on August 14, 2009, 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 the following Permanent Field Rules shall be adopted for the Peery, N. (Cleveland) Field, Lipscomb County, Texas:

**RULE 1:** The correlative interval from 7,322 feet to 7,420 feet as shown on the log of the Chesapeake Operating, Inc. - Guy Lease, Well No. 5821 (API No. 42-295-00231), Lipscomb County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Peery, N. (Cleveland) Field.

**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 **NINE HUNDRED THIRTY THREE (933)** feet to any other applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. There is no minimum spacing requirement between horizontal and vertical wells. 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 in either field. 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 therefore 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. The standard drilling unit shall remain forty (40) acres per well.

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

Provided, however, that for purposes of spacing for horizontal wells, the following shall apply:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced into the wellbore from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
- b. All take points in a horizontal drainhole well shall be a minimum of FOUR HUNDRED SIXTY SEVEN (467) feet from the property line, lease line, or subdivision line. A permit or an amended permit is required for any take point closer to the lease line than the lease line spacing distance, including any perforations added in the vertical portion or the curve of a horizontal drainhole well.
- c. All take points in a horizontal drainhole well shall be a minimum distance of NINE HUNDRED THIRTY THREE (933) feet from take points in any existing, permitted, or applied for horizontal drainhole well on the same lease, unit or unitized tract.

In addition to the penetration point and the terminus of the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first and last take points must also be identified on the drilling permit application (remarks section) and plat. Operators shall file an as-drilled plat showing the path, penetration point, terminus and the first and last take points of all drainholes in horizontal wells, regardless of allocation formula.

For the purpose of assigning additional acreage to a horizontal well, the distance from the first take point to the last take point in the horizontal drainhole shall be used in such determination, in lieu of the distance from penetration point to terminus.

It is further **ORDERED** that Operators shall not be required to file Form P-15 or proration unit plats for wells in the field.

It is further **ORDERED** that the allocation formula in the Peery, N. (Cleveland) 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 Peery, N. (Cleveland) Field drops below 100% of deliverability.

Done this 29<sup>th</sup> day of September, 2009.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotected Master Order dated  
September 29, 2009)**