

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 09-0294033**

**IN THE SHERMAN, SOUTH (OIL CREEK)
FIELD, GRAYSON COUNTY, TEXAS**

**FINAL ORDER
ADOPTING FIELD RULES FOR THE
SHERMAN, SOUTH (OIL CREEK) FIELD
GRAYSON COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on December 16, 2014, the presiding examiners have 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 examiners' 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 field rules for the Sherman, South (Oil Creek) Field in Grayson County are hereby adopted and set out in their entirety as follows:

RULE 1: The entire correlative interval from 8,798 feet to 9,016 feet as shown on the Gamma Ray-Neutron Log and Electric Log of the Silver Spike Energy Operating, LLC, Uncle Slayton Lease Well No. 1 (API No. 42-181-31549), Elizabeth Jones Survey A-625; Grayson County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Sherman, South (Oil Creek Sand) Field.

RULE 2: No well for oil well 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 **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.

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 an individual oil well for the purpose of allocating allowable oil production shall be known as a proration unit. The standard drilling and proration units are established hereby to be EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) acres; provided that after the drilling of the last well on the lease and the assignment of acreage to each well thereon in accordance with the rules of the Commission there remains an additional unassigned acreage of less than EIGHTY (80) acres, then in such event the remaining unassigned acreage up to and including a total of FORTY (40) 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 may meet the limitations prescribed by the Commission. Each proration unit containing less than EIGHTY (80) 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 oil. 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.

For the determination of acreage credited in this field, operators shall file for each oil well in this field a Form P-15, Statement of Productivity of Acreage Assigned to Proration Units. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or unit for proration purposes. For oil wells operators shall be required to file, along with Form P-15, a plat of the lease, unit, or property in the field, provided such plats shall not be required to show individual proration units or wells other than the well for which the Form P-15 is being filed. There is no maximum diagonal limitation in this field.

RULE 4: The maximum daily oil allowable for a well in the subject field shall be determined by the 1965 Yardstick Allowable and the actual allowable for an individual well shall be determined by the sum of the two following values:

- a. FIVE percent (5%) of the total field allowable shall be allocated equally among all the individual wells producing from this field, provided this value shall not exceed the potential based on the most recent well test filed with the Commission multiplied by 5%.

- b. Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing the maximum acreage authorized exclusive of tolerance acreage multiplied by 95%, provided this value shall not exceed the potential based on the most recent well test filed with the Commission multiplied by 95%.

It is further **ORDERED** that all overproduction for wells in the Sherman, South (Oil Creek) Field is hereby cancelled as of the effective date of the final order.

Done this 24th day of March, 2015.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated March 24, 2015)**