

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 03-0298325**

**IN THE FORT TRINIDAD, EAST
(BUDA) FIELD, HOUSTON, WALKER,
AND MADISON COUNTIES, TEXAS**

ORDER NUNC PRO TUNC

**FINAL ORDER
AMENDING FIELD RULES FOR THE
FORT TRINIDAD, EAST (BUDA) FIELD
HOUSTON, WALKER, AND MADISON COUNTIES, TEXAS**

In conference at its office in Austin, Texas, the Railroad Commission of Texas took up for consideration its Final Order entered on February 23, 2016, the matter amending field rules for the Fort Trinidad, East (Buda) Field, Houston, Walker, and Madison Counties, Texas. The Commission finds that the Final Order entered February 23, 2016, contains the incorrect docket number in the header section on pages 2 and 3. The nunc pro tunc order corrects this clerical error.

Accordingly, it is **ORDERED** that the Final Order in Docket No. 03-0298325 be, and the same is hereby, amended *nunc pro tunc* to correct the docket number in the header on pages 2 and 3. The field rules for the Fort Trinidad, East (Buda) Field, Houston, Walker, and Madison Counties, Texas, are hereby amended and set out in their entirety as follows:

RULE 1: The entire correlative interval from 9,130 feet to 9,377 feet as shown on the log of the Texas Oil & Gas Corp. - Jones "FF" Lease, Well No. 1 (API No. 42-313-30307), H. Walker Survey, A-34, Madison County, shall be designated as a single reservoir for proration purposes and be designated as the Fort Trinidad, East (Buda) 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 applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. There is no between well spacing limitation between vertical and horizontal wells in this field. 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 therefore shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rule 37 and 38, which applicable provisions of said rule 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.

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 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. No horizontal drainhole well for oil or gas shall hereafter be drilled such that the first and last take points are nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.
- c. For each horizontal drainhole well, the perpendicular distance from any take point on such horizontal drainhole between the first take point and the last take point to any point on any property line, lease line, or subdivision line shall be a minimum of FOUR HUNDRED SIXTY SEVEN (467) feet.
- d. There is no between well spacing limitation for any horizontal drainhole well and 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.

A properly permitted horizontal drainhole will be considered to be in compliance with the spacing rules set forth herein if the as-drilled location falls within a rectangle established as follows:

- a. Two sides of the rectangle are parallel to the permitted drainhole and 50 feet on either side of the drainhole;
- b. The other two sides of the rectangle are perpendicular to the sides described in (a) above, with one of those sides passing through the first take point and the other side passing through the last take point.

Any point of a horizontal drainhole outside of the described rectangle must conform

to the permitted distance to the nearest property line, lease line or subdivision line.

For any well permitted in this field, the penetration point need not be located on the same lease, pooled unit or unitized tract on which the well is permitted and may be located on an Offsite Tract. When the penetration point is located on such Offsite Tract, the applicant for such a drilling permit must give 21 days notice by certified mail, return receipt requested to the mineral owners of the Offsite Tract. For the purposes of this rule, the mineral owners of the Offsite Tract are (1) the designated operator; (2) all lessees of record for the Offsite Tract where there is no designated operator; and (3) all owners of unleased mineral interests where there is no designated operator or lessee. In providing such notice, applicant must provide the mineral owners of the Offsite Tract with a plat clearly depicting the projected path of the entire wellbore. In the event the applicant is unable, after due diligence, to locate the whereabouts of any person to whom notice is required by this rule, the applicant must publish notice of this application pursuant to the Commission's Rules of Practice and Procedure. If any mineral owner of the Offsite Tract objects to the location of the penetration point, the applicant may request a hearing to demonstrate the necessity of the location of the penetration point of the well to prevent waste or to protect correlative rights. Notice of Offsite Tract penetration is not required if (a) written waivers of objection are received from all mineral owners of the Offsite Tract; or, (b) the applicant is the only mineral owner of the Offsite Tract. To mitigate the potential for well collisions, applicant shall promptly provide copies of any directional surveys to the parties entitled to notice under this section, upon request.

RULE 3a: The acreage assigned to an 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 SIX HUNDRED FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED FORTY (640) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of EIGHT THOUSAND FIVE HUNDRED (8,500) 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.

RULE 3b: The acreage assigned to an 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 SIX HUNDRED FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED FORTY (640) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of EIGHT THOUSAND FIVE HUNDRED (8,500) 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 gas. No double assignment of acreage will be accepted.

Notwithstanding the above, operators may elect to assign a tolerance of not more than SIXTY-FOUR (64) acres of additional unassigned lease acreage to an oil well or gas well on a SIX HUNDRED FORTY (640) acre unit and shall in such event receive allowable credit for not more than SEVEN HUNDRED FOUR (704) acres.

An operator, at his option, shall be permitted to form optional drilling units of EIGHTY (80) acres. A proportional acreage allowable credit will be given for an oil well or gas well on a fractional proration unit. The two farthestmost points of an EIGHTY (80) acre fractional proration unit shall not be greater than THREE THOUSAND TWO HUNDRED FIFTY (3,250) feet removed from each other.

Notwithstanding the above, additional acreage may be assigned to an oil or gas well which has been drilled as a horizontal drainhole, provided that the following formula is utilized to determine the proper assignment of acreage:

$$A = (L \times 0.1723) + 640 \text{ acres}$$

Where: A = calculated area assignable, if available, to a horizontal drainhole for proration purposes rounded upward to the next whole number evenly divisible by 40 acres and capped at 1,280 acres

L = the horizontal drainhole distance measured in feet between the penetration point and the terminus

The two farthestmost points in any horizontal drainhole well proration unit shall be determined by the formula:

$$\text{Maximum Diagonal} = 475.933 \sqrt{A}$$

For the determination of acreage credit in this field, operators shall file for each oil or gas 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 and gas wells, operators shall be required to file, along with the Form P-15, a plat of the lease, unit or property; provided that such plat shall not be required to show individual proration units. Operators may, however, file such proration unit plats for individual wells in the field if they so choose.

RULE 4: The maximum daily oil allowable for each vertical well in the subject field shall be 5,000 barrels of oil per day and the actual allowable for an individual well shall be determined by the sum total of the following two values:

A. 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 50% and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well and the denominator of which is the maximum acreage authorized for a proration unit exclusive of tolerance acreage.

- B. Each well shall be assigned an allowable equal to 50% of the maximum daily oil allowable above.

The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49(a) when applicable.

RULE 5: For oil and gas wells, Stacked Lateral Wells within the correlative interval for the field that are drilled from different wellbores may be considered a single well for regulatory purposes, at an operator's discretion, as provided below:

1. A horizontal drainhole well qualifies as a Stacked Lateral Well under the following conditions:
 - a. There are two or more horizontal drainhole wells on the same lease or pooled unit within the correlative interval for the field;
 - b. Horizontal drainholes are drilled from different surface locations;
 - c. All take points of a Stacked Lateral Well's horizontal drainholes shall be within a rectangular area, the width of which is SIX HUNDRED SIXTY (660) feet, and the length of which is 1.2 times the distance between the first and last take points of the longest horizontal drainhole of the stacked lateral well;
 - d. There shall be no maximum or minimum distance limitations between horizontal drainholes of a Stacked Lateral Well in a vertical direction; and
 - e. All horizontal drainholes must be tested independently and as a result have the same wellbore classification (i.e., gas or oil).
 - f. The first horizontal drainhole will be identified as the "Record Well." An operator may change the Record Well designation to another wellbore by filing the appropriate Commission forms.
2. A Stacked Lateral Well, including all surface locations and horizontal drainholes comprising such Stacked Lateral Well, shall be considered as a single well for density and allowable purposes.

- a. The requirements of Statewide Rule 86(d)(4) shall not apply to stacked lateral wells.
 - b. For the purpose of assigning additional acreage to the Stacked Lateral Well pursuant to Field Rule 3 or Statewide Rule 86 as applicable, the horizontal drainhole displacement shall be calculated based on the distance from the first take point to the last take point in the horizontal drainhole for the Record Well, regardless of the horizontal drainhole displacement of other horizontal drainholes of the Stacked Lateral Well.
3. Each surface location of a Stacked Lateral Well must be permitted separately and assigned an API number. In permitting a Stacked Lateral Well, the operator shall identify each surface location of such well as a Stacked Lateral Well on the Form W-1 drilling permit application. The operator shall also identify on the plat any other existing, or applied for, horizontal drainholes comprising the Stacked Lateral Well being permitted.
4. To be a regular location, each horizontal drainhole of a Stacked Lateral Well must comply with (i) the field's minimum spacing distance as to any lease, pooled unit or property line, and (ii) the field's minimum between well spacing distance as to any different well, including all horizontal drainholes of any other Stacked Lateral Well, on the same lease or pooled unit in the field. Operators may seek exceptions to Rules 37 and 38 for Stacked Lateral Wells in accordance with the Commission 's rules, or any applicable rule for this field.
5. Operators shall file separate completion forms for each surface location of the Stacked Lateral Well. Operators shall also file a certified as-drilled location plat for each surface location of a Stacked Lateral Well showing each horizontal drainhole from that surface location, confirming the well's qualification as a Stacked Lateral Well and showing the maximum distances in a horizontal direction between each horizontal drainhole of the Stacked Lateral Well.
6. In addition to the Record Well, each surface location of a Stacked Lateral Well will be listed on the proration schedule, but no allowable shall be assigned for an individual surface location. Each surface location of a Stacked Lateral Well shall be required to have a separate G-10 or W-10 test and the sum of all horizontal drainhole test rates shall be reported as the test rate for the Record Well.
7. Operators shall report all production from horizontal drainholes included as a Stacked Lateral Well on Form PR to the Record Well. Production reported for a Record Well is the total production from the horizontal drainholes

comprising the Stacked Lateral Well. Operators shall measure the production from each surface location of a Stacked Lateral Well. Operators may measure full well stream with the measurement adjusted for the allocation of condensate based on the gas to liquid ratio established by the most recent G-10 well test rate for that surface location. The gas and condensate production will be identified by individual API number and recorded and reported on the "Supplementary Attachment to Form PR".

8. If the field's 100% AOF status should be removed, the Commission's Proration Department shall assign a single gas allowable to each Record Well classified as a gas well. The Commission's Proration Department shall also assign a single oil allowable to each Record Well classified as an oil well. The assigned allowable may be produced from any one, all, or combination of the horizontal drainholes comprising the Stacked Lateral Well.
9. Operators shall file an individual Form W-3A Notice of Intention to Plug and Abandon and Form W-3 Well Plugging Report for each horizontal drainhole comprising the Stacked Lateral Well as required by Commission rules.
10. An operator may not file Form P-4 to transfer an individual surface location of a Stacked Lateral Well to another operator. P-4's filed to change the operator will only be accepted for the Record Well if accompanied by a separate P-4 for each surface location of the Stacked Lateral Well.

Done this 3rd day of May, 2016.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated May 3, 2016)**