

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 01-0301293**

**IN THE FIRST SHOT (AUSTIN CHALK)
FIELD, GONZALES, KARNES AND
WILSON COUNTIES, TEXAS**

**FINAL ORDER
AMENDING FIELD RULES FOR THE
FIRST SHOT (AUSTIN CHALK) FIELD,
GONZALES, KARNES, AND WILSON COUNTIES, TEXAS**

The Commission finds that after statutory notice of the application made by 1836 Resources, LLC in the above-numbered docket heard on September 30, 2016, 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 the Field Rules adopted in Final Order No. 1-97,345 effective March 9, 1992, for the First Shot (Austin Chalk) Field, Gonzales County, Texas are hereby amended and are set out in their entirety as follows:

RULE 1: The entire correlative interval from the top of the Austin Chalk to the base of the Austin Chalk, more specifically defined in the dual induction log for the Energetics, Inc. Manford No. 1 Well, located in the Petty Survey, A-380, Gonzales County, Texas from 8,357 feet to 8,650 feet, shall be designated as a single reservoir for proration purposes and be designated as the First Shot (Austin Chalk) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line, or subdivision line. There is no minimum between well spacing limitation. 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 the 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.

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 drainhole 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 THREE HUNDRED THIRTY (330) feet.

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.

If the applicant has represented in the drilling application that there will be one or more no perforation zones or "NPZs" (portions of the wellbore within the field interval without take points), then the as-drilled plat filed after completion of the well shall be certified by a person with knowledge of the facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all pertinent and required data. In addition to the standard required data, the certified plat shall include the as-drilled track of the wellbore, the location of each take point on the wellbore, the boundaries of any wholly or partially unleased tracts within a Statewide Rule 37 distance of the wellbore, and notations of the shortest distance from each wholly or partially unleased tract within a Rule 37 distance of the wellbore to the nearest take point on the wellbore.

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 take 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 measured perpendicular from the wellbore.

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 3: The acreage assigned to the individual oil or gas well for the purpose of allocating allowable oil production thereto shall be known as the prescribed proration unit. No proration unit for a vertical well shall consist of more than ONE HUNDRED SIXTY (160) acres except as hereinafter provided.

The acreage assigned an oil or gas well which has been drilled as a Horizontal Drainhole may contain more than ONE HUNDRED SIXTY (160) acres provided that the following formula is utilized to determine the proper assignment of acreage.

Formula: $A = (L \times 0.114854) + 160$ 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 80 acres;

L = the horizontal distance measured in feet between the first take point and the last take point. A Horizontal Drainhole shall have a minimum "L" of 150 feet.

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 ONE HUNDRED SIXTY (160) acres, then and in such event the remaining unassigned acreage up to and including a total of EIGHTY (80) acres may be assigned 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.

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 credit in this field, operators shall file for each oil or gas well in this field a Form P-16, Acreage Designation. 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-16, a plat of the entire lease, unit or property; provided that such plat shall not be required to show individual proration units. However, an operator may file individual proration unit plats if they so desire. There is no maximum diagonal limitation in this field.

RULE 4a: Allocation for oil wells will be based on 100% acreage. The maximum daily oil allowable for a well in the subject field shall be determined by multiplying SIX HUNDRED FIFTY-SIX (656) barrels of oil per day by a fraction, 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 a vertical well for proration purposes, exclusive of tolerance acreage. Each oil well shall have unlimited net gas-oil ratio authority.

RULE 4b: Allocation for gas wells will be based on 100% acreage. The daily allowable of gas from individual wells completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells.

RULE 5: A flowing well will be granted administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 13(b)(4)(A) exceptions, a six-month exception to Statewide Rule 13(b)(4)(A) regarding the requirement of having to be produced through tubing. A revised completion report will be filed once the well has been equipped with the required tubing string to reflect the actual completion configuration. This exception would be applicable for new drills, reworks, recompletions, or for new fracture stimulation treatments for any flowing well in the field. For good cause shown, an operator may obtain administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 13(b)(4)(A) exceptions, an extension for an additional six months. If the request for an extension of time is denied, the operator may request a hearing.

RULE 6: An oil well will be granted administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 51(a) exceptions, a six-month exception to the provisions of Rule 51(a) regarding the 30-day rule for filing the potential test after testing of the well. This will allow for the backdating of allowables on the oil wells without requiring a waiver to be secured from all field operators. This rule will grant the Commission the authority to issue an allowable back to the initial completion date for all oil wells in the field to prevent unnecessary shut-ins to alleviate potential overproduction issues related to the completion paperwork filings and producing the wells without tubing. If an extension of time is granted under Rule 5, the exception to Statewide Rule 51 (a) under this rule is automatically extended for the additional time.

The exceptions to Statewide Rule 13(b)(4)(A) and 51(a) provided for in the rules adopted in this final order shall be applicable to all wells in the field, regardless of when completion forms are filed and including wells for which completion forms were filed prior to the entry of this order.

RULE 7: For both oil and gas wells, Stacked Lateral Wells within the correlative interval for the field will be governed by utilizing Statewide Rule 86 (f).

It is further **ORDERED** that the allocation formula for gas wells in the First Shot (Austin Chalk) Field be suspended. The allocation formula for the gas field may be reinstated administratively, in accordance with the Commission rules, if the market demand for gas in the First Shot (Austin Chalk) Field drops below 100% of deliverability.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the Commission's order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code §2001.142, by agreement under Tex. Gov't Code §2001.147, or by written Commission Order issued pursuant to Tex. Gov't Code §2001.146(e). If a timely motion for rehearing of an application is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to Tex. Gov't Code §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law is hereby extended until 90 days from the date Commission Order is signed.

Done this 24th day of January, 2017.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated January 24, 2017)**