

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 03-0307478

**THE APPLICATION OF UPSTREAM EXPLORATION LLC TO AMEND THE
PERMANENT FIELD RULES FOR THE VAN METER (YEGUA CONS) FIELD, JASPER
AND HARDIN COUNTIES, TEXAS**

FINAL ORDER

The Commission finds that after statutory notice in the above-numbered docket heard on January 24, 2018, the technical examiner and administrative law judge ("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 complies 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 for the Van Meter (Yegua Cons) Field, as set out on February 4, 2014, by Commission Final Order in Oil and Gas Docket No. 03-0285037, are hereby amended and set out in their entirety as follows:

RULE 1: The entire correlative interval from 8,797 feet to 10,910 feet as shown on the log of the Century Exploration Houston, LLC - MVP A-364 Lease, Well No. 2 (API No. 42-241-30809), Lawrence & Creecy Survey, A-364, Jasper County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Van Meter (Yegua Cons.) 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. 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 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.

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

RULE 3a: The acreage assigned to the individual gas well shall be known as a proration unit. The standard drilling and proration units are established hereby to be THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) 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 THREE HUNDRED FIFTY TWO (352) acres may be assigned. Each proration unit containing less than THREE HUNDRED TWENTY (320) 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.

RULE 3b: The acreage assigned to the 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 FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. 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.

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 FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) 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 meet the limitations prescribed by the Commission.

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 or 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. There is no maximum diagonal limitation in this field.

RULE 4a: The subject field shall be classified as associated-prorated. The daily allowable production of gas from individual gas 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 in the following manner:

- a. NINETY FIVE percent (95%) of the total field allowable shall be allocated among the individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all proratable wells producing from this field.
- b. FIVE percent (5%) of the field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be the 1965 Yardstick Allowable of 212 barrels of oil per day and the actual allowable for an individual well shall be determined by the sum total of the two following values:

- a. Each well shall be assigned an allowable equal to FIVE percent (5%) of the maximum daily oil allowable above.
- 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 NINETY FIVE percent (95%) 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.

Each oil well in the field may produce casing head gas under an increased net gas-oil ratio with a casinghead gas limit of 1,500 thousand cubic feet per day.

RULE 5: A flowing oil well will be granted administratively, 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 oil 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 oil well in the field. For good cause shown, which shall include the well flowing at a pressure in excess of 300 psi, an operator may obtain administratively from the district director, one or more extensions each with a duration of up to six months. If the request for an extension of time is denied, the operator may request a hearing. If a hearing is requested the exception shall remain in effect pending final Commission action on the request for an extension.

It is further **ORDERED** that all overproduction in the Van Meter (Yegua Cons) Field is hereby cancelled.

Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and the agreement of the applicant, this Final Order is effective when a Master Order relating to this Final Order is signed.

Done this 27th day of February, 2018.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated February 27, 2018)**