

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET No. 09-0307008: APPLICATION OF EAGLE HYDROCARBONS INC. TO  
ADOPT SPECIAL TEMPORARY FIELD RULES FOR THE SHORT GRASS PRAIRIE (CONG) FIELD,  
HARDEMAN COUNTY, TEXAS**

**FINAL ORDER**

The Commission finds that after statutory notice of the application made by Eagle Hydrocarbons Inc. (Operator No. 238730) in the above-numbered docket heard on January 29, 2018, the presiding Technical Examiner and Administrative Law Judge (collectively "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 application of Eagle Hydrocarbons Inc. to adopt temporary field rules for the Short Grass Prairie (Cong) Field (Field ID No. 83413500) in Hardeman County, Texas, be and hereby is approved. The temporary field rules are set out in their entirety as follows:

**RULE 1:** The entire correlative interval from 7,298 feet to 7,530 feet as shown on the log of the Sidwell Oil & Gas, Inc. - Wilson Trust Lease, Well No. 1 (API No. 42-197-30341), Section 2, HE&WT RR Co. Survey, A-1513, Hardeman County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Short Grass Prairie (Cong) 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 SIX HUNDRED SIXTY (660) 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 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. All take points in a horizontal drainhole well shall be a minimum distance of SIX HUNDRED SIXTY (660) feet from take points in any existing, permitted, or applied for horizontal drainhole well on the same lease, unit or unitized tract, with the exception that there shall be no minimum spacing requirement between horizontal and vertical wells or horizontal wells that are parallel or sub-parallel and do not overlap more than 500 feet.

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

**RULE 3:** The acreage assigned to an individual well for the purpose of allocating allowable production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be ONE HUNDRED SIXTY (160)

acres. No proration unit shall consist of more than ONE HUNDRED SIXTY (160) acres except as hereinafter provided.

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 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 meet the limitations prescribed by the Commission.

For the purpose of allocating allowable oil production, acreage may be assigned to each Horizontal Drainhole Well up to the acreage determined by the following formula:

$$A = (L \times 0.15) + 160 \text{ acres}$$

Where A is the calculated acreage assignable, if available, to the horizontal drainhole well for proration purposes, rounded upward to the next whole number evenly divisible by 40 acres; and L is the horizontal drainhole distance measured in feet between the first take point and the last take point within the designated interval, provided that L is at least 100 feet.

All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive. No double assignment of acreage will be accepted. There is no maximum diagonal limitation in this field.

For the determination of acreage credit in this field, operators shall file for each oil lease 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 or gas wells, operators shall be required to file, along with the Form P-16, a plat of the entire lease, unit or property; provided however that such plat shall not be required to show individual proration units. However, an operator may still file individual proration unit plats if they so desire.

**RULE 4:** The maximum daily oil allowable for each well in the subject field shall be the 1965 Yardstick Allowable 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 the top allowable established for a well having a proration unit containing the maximum acreage authorized for a vertical well 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.

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

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

It is further **ORDERED** that these rules are temporary and effective until March 20, 2020, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and opportunity for hearing, should the evidence evaluated during review be insufficient to sustain spacing or proration unit rules, these temporary rules, on the Commission's own motion, will be terminated and the field will revert to Statewide spacing and density rules.

Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and by agreement of the Parties in writing or on the record, **the parties have waived right to file a Motion for Rehearing and this Final Order is final and effective on the date the Master Order relating to the Final Order is signed.**

Done this 20<sup>th</sup> day of March, 2018.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by Hearings Divisions' Unprotested Master Order dated March 20, 2018)**