

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 02-0308632

**THE APPLICATION OF FROSTWOOD ENERGY, LLC TO AMEND FIELD RULES FOR
THE GANADO FIELD, WEST (4700 ZONE) FIELD, JACKSON COUNTY, TEXAS**

FINAL ORDER

The Commission finds that after statutory notice of the application made by Frostwood Energy, LLC heard on April 3, 2018, the Technical Examiner and Administrative Law Judge (collectively the "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 and 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 for the Ganado Field West (4700 Zone) in Jackson County, Texas, are hereby amended and set out in their entirety as follows:

RULE 1: The entire correlative interval from 4,714 feet to 4,944 feet as shown on the Dual Induction Focused Log/ Compensated Density Log/ Compensated Neutron/ Gamma Ray Log for the Dan Hamons No. 3 Well (API No. 42-239- 32452), W.M. Menefee Survey, A-53, Jackson County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Ganado, West (4700 Zone) 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 requirement. 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 the individual oil or gas 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 TWENTY (20) acres. No proration unit shall consist of more than TWENTY acres except as other provided hereinafter or in the Commission's Statewide Rules. 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 drilling of the last oil well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains additional unassigned acreage of less than TWENTY (20) acres, then and in such event the remaining unassigned acreage up to and including a total of TEN (10) acres may be assigned as tolerance acreage to the last oil well drilled on such lease or may be distributed among any group of oil 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 each gas well, a tolerance of TEN (10) percent shall be allowed to each standard proration unit so that an amount not to exceed a maximum of TWENTY TWO (22) acres may be assigned.

An operator, at its option, shall be permitted to form optional drilling and fractional proration units of TEN (10) acres, with proportional acreage allowable credit for wells on fractional proration units. Each proration unit containing less than TWENTY (20) acres shall be a fractional proration unit.

For the determination of acreage credit in this field, operators shall file for each well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units, or Form P-16 Data Sheet 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. Operators shall not be required to file plats with the Form P-15 or Form P-16 Data Sheet showing individual proration units for oil wells. Operators may, however, file such proration unit plats for individual wells in the field if they choose. Provided further, that if the acreage assigned to any well has been pooled, the operator shall furnish the Commission with such proof as it may require as evidence that interests in and under such proration unit have been so pooled. There is no maximum diagonal limitation in this field.

RULE 4: Each oil well shall be assigned an allowable of TEN (10) barrels of oil per day for each acre in the proration unit for the well.

The daily allowable production 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 in the proportion that the acreage assigned to such well for allowable purposes bears to the summation of the acreage with respect to all prorable wells producing from this field.

It is further **ORDERED** that all accumulated overproduction in the Ganado Field, West (4700 Zone) be cancelled as of the effective date of this Final Order.

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 5th day of June, 2018

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotected Master
Order dated June 5, 2018)**