

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 02-0314891

**APPLICATION OF FROSTWOOD ENERGY, LLC (288391) TO AMEND THE FIELD
RULES FOR THE HEYSER (5400 #2) FIELD, VICTORIA AND CALHOUN COUNTIES,
TEXAS**

FINAL ORDER

The Commission finds that after statutory notice of the application made by Frostwood Energy, LLC (Operator No. 288391) in the above-numbered docket heard on November 16, 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 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 adopted in Final Order No. 2-75,263, effective August 11, 1980, as amended in Final Order No. 2-96,349, effective August 20, 1991, for the Heyser (5400 #2) Field, (Field No. 40957616) in Victoria and Calhoun Counties, Texas, are hereby amended. The amended field rules are set out in their entirety as follows:

RULE 1: The entire correlative interval from 5,455 feet to 5,493 feet, as shown on the Calibrated Gamma Ray and SP Log for the Welder #58D Well (API No. 42-057-31810), shall be designated as a single reservoir for proration purposes and be designated as the Heyser (5400 #2) Field. The Heyser (5400 #2) Field interval is commonly referred to as the Sinton Sand and is correlative across much of the South Texas Gulf Coast.

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 otherwise 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.

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 effective on the date the Master Order relating to the Final Order is signed.**

Done this 23rd day of January 2019.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by Hearings Divisions' Unprotected
Master Order dated January 23, 2019)**