

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 04-0314952

**APPROVING THE APPLICATION OF METANO ENERGY III, LP TO ADOPT
PERMANENT FIELD RULES IN THE GARCIAS RIDGE (QUEEN CITY) FIELD, STARR
COUNTY, TEXAS**

FINAL ORDER

The Commission finds that after statutory notice of the application submitted by Metano Energy III, LP in the above-numbered docket heard on October 30, 2018, the presiding Examiner and Administrative Law Judge 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 Examiner's 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 following Permanent Field Rules shall be adopted for the Garcias Ridge (Queen City) Field, Starr County, Texas.

Rule 1: The entire correlative interval from 9,058' to 9,645' as shown on the Dual Induction-SFL-Array Induction-Long Spaced Sonic-Final Composite Log of the Transtexas Gas Corporation, Barrera Gas Unit Well No. 1, (API 42-427-32896), Vela Salvador Porcion, 90 SH. 28, A-178, Starr County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Garcias Ridge (Queen City) Field.

Rule 2: No gas or oil well shall hereafter be drilled nearer than **THREE HUNDRED THIRTY (330)** feet to any property line, lease line or subdivision line. There will be no minimum spacing requirement (0' between well) to any applied for, permitted or completed vertical or horizontal 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. 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.

Provided, however, that for purposes of spacing for horizontal wells, the following shall apply:

- a. No horizontal drainhole well for oil or gas shall hereafter be drilled such that the first and last take point are nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.
- b. 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 or any property line, lease line or subdivision line shall be a minimum of THREE HUNDRED THIRTY (330) feet.

For the purpose of assigning additional acreage to a horizontal well pursuant to Statewide Rule 86, the distance from the first take point to the last take point in the horizontal drainhole shall be used in such determination, in lieu of the distance from penetration point to terminus.

Rule 3: The acreage assigned to the individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) acres; provided that tolerance acreage of ten (10) percent shall be allowed for each standard proration unit such that an amount not to exceed a maximum of EIGHTY EIGHT (88) acres may be assigned. Each proration unit containing less than EIGHTY (80) 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. 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 Data Sheet Acreage Designation with a plat of the entire lease and no requirement to file individual proration plats. However, an operator may file those individual proration plats if they choose to do so.

Rule 4a: The gas field shall be classified as associated-prorated. 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 following manner:

NINETY percent (90%) of the total field allowable shall be allocated equally among all of the individual prorable wells producing from the field.

TEN percent (10%) 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 pratable wells producing from the field.

If the field's 100% AOF status should be removed the above formula will be used to assign the allowable. We request that the 100% AOF status remain in place for the field.

RULE4b: The maximum daily oil allowable for each well in the subject field shall be the 1965 Yardstick Allowable and Statewide Rule 86. 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 exclusive of tolerance acreage multiplied by 10% and 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 90% of the maximum daily oil allowable.

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 the Final Order is presented at Commission conference and signed by the Commissioners.

Done this 23rd day of January, 2019.

RAILROAD COMMISSION OF TEXAS

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