

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL AND GAS DOCKET NO. 03-0314553

**THE APPLICATION OF H.E.X.T. OPERATING, LTD. (340446) TO ADOPT
PERMANENT FIELD RULES FOR SALLY WITHERS LAKE (MIOCENE) FIELD,
JASPER COUNTY, TEXAS**

FINAL ORDER

The Commission finds that after statutory notice of the application made by H.E.X.T. Operating, Ltd. (340446) in the above-numbered docket heard on October 19, 2018, and May 13, 2019, the 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 H.E.X.T. Operating, Ltd. is hereby granted the permanent field rules for the Sally Withers Lake (Miocene) Field, Jasper County, Texas. The field rules for the Sally Withers Lake (Miocene) Field are hereby as follows:

RULE 1: Designated Correlative Interval for the Miocene reservoir is from 3,316' to 3,326' as shown on a portion of the High Definition Induction Log, Compensated X-Densilog, Compensated Neutron Log, Gamma Ray Log, TTRM Sub Log of the H.E.X.T. Operating Ltd, Adams Lease Well No. 3, located in the Denman, J. Survey A-138, Jasper County, Texas.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than ONE HUNDRED FIFTY (150) feet to any property line, lease line or subdivision line and no well shall be drilled nearer than THREE HUNDRED (300) 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 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 oil or gas 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; however, in the case of long and narrow leases or in cases where because of the shape of the lease such is necessary to permit the utilization of tolerance acreage, the Commission may, after proper showing, grant exceptions to the limitations as to the shape of proration units as herein contained. All proration units, however, shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil or gas. 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 lease acreage of less than FORTY (40) acres, then and in such event the remaining unassigned lease acreage up to and including a total of TEN (10) acres may be assigned 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 meets the limitations prescribed by the Commission.

The Commission has found that to ensure effective and efficient drainage, portions of the field require a unit size which is a fractional part of the above prescribed proration unit. Therefore, an operator, at his option, shall be permitted to form optional proration units of TEN (10) acres.

RULE 4: 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, 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. There is no maximum diagonal limitation in this field.

RULE 5: The wells in the Sally Withers Lake (Miocene) Field can produce at capacity with no restrictions on the producing rates of oil or casinghead gas.

RULE 6: 100% Well Allocation Formula.

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 the 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 June 18, 2019.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated June 18, 2019)**