

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL & GAS DOCKET NO. 06-0269210

**APPLICATION OF GAITHER PETROLEUM CORPORATION PURSUANT TO STATEWIDE
RULE 38(D)(3) TO DISSOLVE THE FOREST HILL/HARRIS SAND UNIT IN THE FOREST
HILL (HARRIS SAND) FIELD, WOOD COUNTY, TEXAS.**

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by the examiners on March 18, 2011. The proceeding having been duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas, the Commission makes the following Findings of Fact and Conclusions of Law.

FINDINGS OF FACT

1. At least ten days notice was given to the applicant and affected mineral interest owners by first-class mail. Notice was also published once a week for four consecutive weeks on February 23, March 2, March 9 and March 16, 2011, in the Wood County Democrat, a newspaper of general circulation in Wood County.
2. The Forest Hill (Harris Sand) Unit was formed by the McWood Corporation on January 1, 1956.
3. The Forest Hill (Harris Sand) Unit was granted secondary recovery authority by the Texas Railroad Commission by Final Order in Oil & Gas Docket No. 6-54,809 issued on April 19, 1965.
4. By Special Order issued September 7, 1966 in Oil & Gas Docket No. 6-56,598, the Commission amended the order in Oil & Gas Docket No. 6-54,809 to give the McWood Corporation authority to conduct secondary recovery operations on the Forest Hill (Harris Sand) Unit by the injection of steam or hot water.
5. The original Forest Hill (Harris Sand) Unit consisted of 15 tracts totaling 980.41 acres. The Unit was amended several times, reaching its current size and shape of 27 tracts totaling 1,541.72 acres.
6. In Cause No. 2004-299, the District Court of the 402nd Judicial District found on March 26, 2008 that "...the Forest Hill Harris Sand Unit, which was established by Unit Agreement recorded at Volume 544, Page 167 of the deed records of Wood County, terminated on

September 1, 2006.

7. In Reeder v. Wood County Energy, LLC, 320 S.W.3d 433, 440 (Tex. App. - Tyler, 2010), the appellate court found that “Because oil was not produced from the Harris Sand Unit in paying quantities, the unit expired, and leases not held by production from other zones were lost.”
8. At hearing on March 18, 2011, no one contested the termination of the Forest Hill Harris Sand Unit.
9. The field rules for the Forest Hill (Harris Sand) Field are 330 foot leaseline spacing and 400 foot between well spacing on 10 acres.
10. Of the 27 tracts composing the Forest Hill Harris Sand Unit, 25 exceed ten acres in size. Tract 3 is a 6 acre tract and Tract 5 is a 9.54 acre tract (see attached plat).
11. Granting the application of Gaither Petroleum Corporation for dissolution of the Forest Hill Harris Sand Unit will not result in circumvention of the density restrictions of Statewide Rule 38 or other Commission rules.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to appropriate persons entitled to notice.
2. All things necessary to the Commission attaining jurisdiction have occurred.
3. The application of Gaither Petroleum Corporation for Commission approval of the dissolution of the 1,541.72 acre Forest Hill Harris Sand Unit into its component tracts meets the requirements of Commission Statewide Rule 38(d)(3).

IT IS THEREFORE ORDERED that the application of Gaither Petroleum Corporation for dissolution of the 1,541.72 acre Forest Hill Harris Sand Unit pursuant to the provisions of Statewide Rule 38(d)(3) is hereby **APPROVED**.

It is further **ORDERED** that this Final Order is effective on May 9, 2011 when the Master Order relating to this Final Order is signed.

All pending motions and requests for relief not previously granted or granted herein are denied.

Done this 9th day of May, 2011, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated
May 9, 2011)**