

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL AND GAS DOCKET
NO. 06-0265207

IN THE BECKVILLE (COTTON
VALLEY) FIELD, HARRISON, PANOLA
AND RUSK COUNTIES, TEXAS

FINAL ORDER
CONSOLIDATING THE BECKVILLE, NORTH (COTTON VALLEY), BECKVILLE,
WEST (COTTON VALLEY) AND DARCO S.E. COTTON VALLEY FIELDS
INTO THE BECKVILLE (COTTON VALLEY) FIELD AND
AMENDING FIELD RULE NOS. 2 AND 3 FOR THE
BECKVILLE (COTTON VALLEY) FIELD
HARRISON, PANOLA AND RUSK COUNTIES, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on June 14, 2010, the presiding examiner has 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 Beckville, North (Cotton Valley), ID No. 06650 500, Beckville, West (Cotton Valley), ID No. 06653 400, and Darco S.E. Cotton Valley, ID No. 23100 300, Fields are hereby consolidated into the Beckville (Cotton Valley), ID No. 06648 500, Field, Harrison, Panola and Rusk Counties, Texas.

Wells in the subject fields shall be transferred into the Beckville (Cotton Valley) Field without requiring new drilling permits and plats.

It is further **ORDERED** that Field Rule Nos. 2 and 3 of the Field Rules adopted in Final Order No. 06-025075, effective August 14, 2007, for the Beckville (Cotton Valley) Field, Harrison, Panola and Rusk Counties, Texas, are hereby amended as follows:

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 and no well shall be drilled nearer than SIX HUNDRED SIXTY (660) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract, with the exception that there shall be no minimum spacing requirement between horizontal and vertical wells. 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 in either field. 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 therefore 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. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil and/or gas can be produced into the wellbore from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.
- b. All take points in a horizontal drainhole well shall be a minimum of THREE HUNDRED THIRTY (330) feet from any property line, lease line, or subdivision line. A permit or an amended permit is required for all take points closer to the lease line than the lease line spacing distance, including any perforations added in the vertical portion or the curve of a horizontal drainhole well.
- c. All take points in a horizontal drainhole well shall be a minimum distance of SIX HUNDRED SIXTY (660) feet from take points in any existing, permitted, or applied for horizontal drainhole on the same lease, unit or unitized tract.
- d. There is no minimum between well spacing requirement from take points in a horizontal drainhole well to any other existing, permitted, or applied for vertical well on the same lease, unit or unitized tract.

In addition to the penetration point and the terminus of the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first and last take points must also be identified on the drilling permit application (remarks section) and plat. Operators shall file an as-drilled plat showing the path, penetration point, terminus and the first and last take points of all drainholes in horizontal wells, regardless of allocation formula.

For any well permitted in this field configured as the above described wells, the penetration point need not be located on the same lease, pooled unit, unitized tract or production sharing agreement tract on which the well is permitted and may be located on an Offsite Tract. When the penetration point is located on such Offsite Tract, the applicant for such a drilling permit must give 21 days notice by certified mail, return receipt requested to the mineral owners of the Offsite Tract. For the purposes of this rule, the mineral owners of the Offsite Tract are (1) the designated operator; (2) all lessees of record for the Offsite Tract where there is no designated operator; and (3) all owners of unleased mineral interests where there is no designated operator or lessee. In providing such notice, applicant must provide the mineral owners of the Offsite Tract with a plat clearly depicting the projected path of the entire wellbore. In the event the applicant is unable, after due diligence, to locate the whereabouts of any person to whom notice is required by this rule, the applicant must publish notice of this application pursuant to the Commission's Rules of Practice and Procedure. If the mineral owners of the Offsite Tract object to the location of the penetration point, the applicant may request a hearing to demonstrate the necessity of the location of the penetration point of the well to prevent waste or to protect correlative rights. Notice of Offsite Tract penetration is not required if (a) written waivers of objection are received from all mineral owners of the Offsite Tract; or, (b) the applicant is the only mineral owner of the Offsite Tract. To mitigate the potential for well collisions, applicant shall promptly provide copies of any directional surveys to the parties entitled to notice under this section, upon request.

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 gas well shall be known as a proration unit. The standard drilling and proration units are established hereby to be SIX HUNDRED FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED FORTY (640) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each standard proration unit so that an amount not to exceed a maximum of SEVEN HUNDRED FOUR (704) acres may be assigned.

An operator, at his option, shall be permitted to form optional drilling units of TWENTY (20) acres.

There is no maximum diagonal limitation in this field and operators are not required to file Form P-15 or proration unit plats for any well in the field.

For the purpose of assigning additional acreage to a horizontal well pursuant to 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.

The allocation formula in the Beckville (Cotton Valley) Field remains suspended. The allocation formula may be reinstated administratively, in accordance with Commission rules, if the market demand for gas in the Beckville (Cotton Valley) Field drops below 100% of deliverability.

Done this 6th day of July, 2010.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotected Master Order dated July 6,
2010)**