

RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION

OIL AND GAS DOCKET
NO. 01-0208099

IN THE SALT FLAT (EDWARDS) FIELD
CALDWELL COUNTY, TEXAS

FINAL ORDER
APPROVING THE APPLICATION OF KCS RESOURCES, INC.
FOR A NEW FIELD DISCOVERY AND
ADOPTING TEMPORARY RULES AND REGULATIONS
FOR THE SALT FLAT (EDWARDS) FIELD
CALDWELL COUNTY, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on April 6, 1995, 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 application of KCS Resources for a New Field Designation to be known as the Salt Flat (Edwards) Field (No. 79905 003), Caldwell County, Texas, be and is hereby granted.

It is further ordered by the Railroad Commission of Texas that effective _____, 19____, the following temporary rules shall be adopted for the Salt Flat (Edwards) Field, Caldwell County, Texas.

RULE 1: The entire correlative interval from 2925 feet to 3440 feet as shown on the induction-electric log of the Joe G. Gibson F. Gray Estate Well No. 1, James Hinds Survey, Caldwell County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Salt Flat (Edwards) Field.

RULE 2: No vertical well for oil or gas shall hereafter be drilled nearer than TWO HUNDRED (200) feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract, and no well shall be drilled nearer than FIFTY (50) feet to any property line, lease line or subdivision line.

No horizontal well for oil or gas shall hereafter be drilled nearer than FIFTY (50) feet to any property line, lease line or subdivision line. There will be no minimum distance between horizontal wellbores.

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 well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be TWO (2) acres. No proration unit shall consist of more than TWO (2) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of FIVE HUNDRED (500) feet removed from each other; provided however, that 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 shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil.

Notwithstanding the above, the acreage assigned an oil well which has been drilled as a Horizontal Drianhole may contain more than TWO (2) acres provided that the following formula is utilized to determine the proper assignment of acreage; and provided that the two farthestmost point of the unit created by the inclusions of such acreage be not greater than that set forth on the Table below:

Formula: $A = (L \times 0.040) = \text{acres}$

Where

A = calculated area assignable to a Horizontal Drainhole for proration purposes; acres

L = the horizontal distance between the point at which the drainhole penetrates the top of the Edwards and the Horizontal Drainhole end point within the Edwards; feet. A Horizontal Drainhole shall have a minimum "L" of 100'.

L (Feet)	Calculated Area (Acres)	Proration Unit Size (Acres)	Maximum Diagonal (Feet)	Allowable (BOPD)
1 - 100		2	500	30
100-499	$2 \leq A \leq 20$	20	1500	300
500-999	$20 \leq A \leq 40$	40	2100	600
1000-1499	$40 \leq A \leq 60$	60	2675	900
1500-1999	$60 \leq A \leq 80$	80	3250	1200

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 acreage of less than TWO (2) acres, then and in such event the remaining unassigned acreage up to and including a total of ONE (1) acres may be assigned as tolerance acreage 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 meet the limitations prescribed by the Commission.

Operators shall file with the Commission certified plats of their properties in said field, which plats shall set out distinctly all of those things pertinent to the determination of the acreage credit claimed for each well; provided that if the acreage assigned to any proration unit 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.

RULE 4: The maximum daily oil allowable for a well in the field shall be determined by multiplying the applicable yardstick allowable for a well in the field by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for proration purposes, exclusive of tolerance acreage. The daily oil allowable for a well in the field shall be adjusted in accordance with Statewide Rule 49(a) when applicable.

All production in excess of allowables during the first year of production may be made up within TWELVE (12) months of the completion date.

It is further order that the following wells be and are hereby transferred from the Salt Flat Field to the Salt Flat (Edwards) Field:

LSKL Oil Co.	H. Meriwether Well No. 37
LSKL Oil Co.	H. Meriwether Well No. 39
LSKL Oil Co.	H. Meriwether Well No. 40
LSKL Oil Co.	H. Meriwether Well No. 41

B.J.P. Operating	Northcutt Well No. 3
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Ogo Refining	Willie Moses "A" Well No. 2
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Ogo Refining Willie Moses "A" Well No. 3

Hawk Oil Co. J.M. Hanson Well No. 1

It is further ordered that these rules are temporary and effective until _____, 19____, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and opportunity for hearing, should the evidence evaluated during review be insufficient to sustain spacing or proration unit rules, these temporary rules, on the Commission's own motion, will be terminated and the field will revert to Statewide spacing and density rules.

Done this _____ day of _____, 19____.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN

COMMISSIONER

COMMISSIONER

ATTEST:

Secretary

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