

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 03-0282907**

**IN THE SERBIN (TAYLOR SAND) FIELD,
BASTROP AND LEE COUNTIES, TEXAS**

**FINAL ORDER
AMENDING FIELD RULES FOR THE
SERBIN (TAYLOR SAND) FIELD
BASTROP AND LEE COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 3, 2013, 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** that the following rules adopted in Final Order No. 3-90,648, effective November 23, 1987, as amended for the Serbin (Taylor Sand) Field, Bastrop and Lee Counties, Texas, are hereby amended and presented in their entirety as follows:

RULE 1: The entire correlative interval from 5,458 feet to 5,510 feet as shown on the log of the Tex-Lee Operating Co. Rudolf Lorenz Well No. 7 (API No. 42-287-31969), J.H. Sneed Survey, A-284, Lee County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Serbin (Taylor Sand) Field.

RULE 2: No oil or gas well shall hereafter 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; and no well shall be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line, or subdivision line. 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 described whenever the Commission

shall have determined that such exceptions are necessary either to prevent waste or prevent the confiscation of property. When exception to these rules is desired, the 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.

In applying this rule, the general order of the Commission with respect to the subdivision of property shall be observed.

Provided that for purposes of spacing for horizontal drainhole oil and gas wells, the following shall apply:

- a. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil, gas or casinghead gas can be produced in 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 different location than the terminus point.
- b. The first take point and the last take point in a horizontal drainhole well shall not be nearer than ONE HUNDRED (100) feet from the property line, lease line, or subdivision line.
- c. 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 well shall not be nearer than THREE HUNDRED AND THIRTY (330) feet from the property line, lease line, or subdivision line. If any take point on a horizontal drainhole does not comply with this rule, then an exception to Rule 37 must be obtained.
- d. 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 well on the same lease, unit or unitized tract, with the exceptions that (1) this restriction on spacing between horizontal wells shall not apply to horizontal drainholes that are parallel or subparallel (within 45 degrees of parallel) and do not overlap more than ONE HUNDRED (100) feet, and (2) there shall be no minimum between well spacing limitation between horizontal drainhole wells and vertical wells.

A properly permitted horizontal drainhole will be considered to be in compliance with the spacing rules set forth herein if the as drilled location falls within a rectangle established as follows:

- a. Two sides of the rectangle are parallel to the permitted drainhole and 50 feet on either side of the drainhole;

- b. The other two sides of the rectangle are perpendicular to the sides described in (a.) above, with one of these sides passing through the first take point and the other side passing through the last take point.

Any take point of a horizontal drainhole outside of the described rectangle must conform to the permitted distance to the nearest property line, lease line, or subdivision line, measured perpendicular to the wellbore.

For all horizontal drainholes, in addition to the penetration point and the terminus for the wellbore required to be identified on the drilling permit application (Form W 1H) and plat, the first and last take point and any no-perf zones must be identified on the drilling permit application (Remarks section) and plat. All Operators of horizontal drainhole wells shall file an "as drilled" plat showing the surface location, wellbore path, penetration point, terminus, first take point and last take point. In addition, if the horizontal well has a no-perf zone to avoid the need for a Rule 37 spacing exception, all take points in the wellbore shall be identified, together with the tract or interest that created the need for the no-perf zone.

For any well permitted in these fields, the penetration point need not be located on the same lease, pooled unit, or unitized 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 interest 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 any mineral owner of the Offsite Tract objects 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.

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 for oil and gas wells are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres, except as hereinafter provided. All proration units shall consist of continuous and contiguous

acreage which can reasonably be considered to be productive of hydrocarbons. 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 acreage of less than TWENTY (20) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) 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.

An operator, at his option, shall be permitted to form optional drilling and fractional proration units of TWENTY (20) acres, with a proportional acreage credit for a well on fractional proration units.

Allocation will be based on 100% acreage, utilizing Statewide Rule 86 for horizontal wells. Additional oil and gas proration unit acreage may be assigned to each horizontal drainhole well for the purpose of allocating additional allowable oil production as provided in Statewide Rule 86; provided, however, the horizontal drainhole shall be defined as that portion of the wellbore drilled in the correlative interval between the first take-point and the last take-point.

For a determination of acreage credit in this field, operators shall file for each oil or gas well in this field a Form P 15, Statement of Productivity of Acreage Assigned to Proration Units. 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. Operators shall be required to file, along with the Form P 15, a plat of the entire lease, unit or property; provided that such plat shall not be required to show the individual proration units.

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.

RULE 5: Each gas well completed in said reservoir shall be allowed to withdraw for market or any other legal use as a monthly maximum that number of cubic feet of gas which, without this rule, is permitted to be produced from such gas well by operation of Statewide Rule 49(b); provided, however, that where the amount of acreage assigned to such gas well is less than or exceeds FORTY (40) acres, such gas allowable shall be calculated by multiplying the same by a fraction, the numerator of which is the amount of such assigned acreage and the denominator of which is FORTY (40) acres. Acreage assigned to an oil proration unit shall not be assigned to a gas well producing from the

same reservoir. No acreage can be assigned to a vertical gas well in excess of EIGHTY (80) acres plus (10) per cent tolerance, and all acreage assigned must reasonably be considered to be productive of gas.

Done this 6th day of August, 2013.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division Unprotected Master Order
dated August 6, 2013)**