

**RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL**

**OIL AND GAS DOCKET
NO. 06-0220580**

**IN THE SAND BRANCH CREEK (BUDA)
FIELD, HOUSTON COUNTY, TEXAS**

**FINAL ORDER
ADOPTING TEMPORARY RULES AND REGULATIONS
FOR THE SAND BRANCH CREEK (BUDA) FIELD
HOUSTON COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on December 17, 1998, 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 following temporary rules shall be adopted for the Sand Branch Creek (Buda) Field, Houston County, Texas.

RULE 1: The entire correlative interval from 9050 feet to 9575 feet as shown on the Induction log of the Prudential Energy LaRue B Lease Well No. 1, J. Chairs Survey (A-242), Houston County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Sand Branch Creek (Buda) Field.

RULE 2:

- a. No vertical well for oil or gas shall hereafter be drilled nearer than **FOUR HUNDRED SIXTY-SEVEN (467)** feet to any property line, lease line or subdivision line and no vertical well shall be drilled nearer than **NINE HUNDRED THIRTY-THREE (933)** feet to any applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract.
- b. No horizontal drainhole for oil or gas shall hereafter be drilled such that the penetration point or terminus of a horizontal drainhole within the correlative interval is nearer than **ONE HUNDRED (100)** feet to any property line, lease line or subdivision line.
- c. For each horizontal drainhole for oil or gas the perpendicular distance from

(1) any point on such horizontal drainhole to any point of (2) any property line, lease line or subdivision line shall be a minimum of NINE HUNDRED THIRTY-THREE (933) feet. No point on a horizontal well within the correlative interval shall be closer than NINE HUNDRED THIRTY-THREE (933) feet to such point on another horizontal well on the same lease, provided that this restriction on spacing between wells shall not apply to horizontal drainholes that are parallel or subparallel (within 45 degrees or parallel) and do not overlap more than THREE HUNDRED (300) feet.

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 ONE HUNDRED SIXTY (160) acres. No proration unit shall consist of more than ONE HUNDRED SIXTY (160) acres except as hereinafter provided. The two farthestmost points in any proration unit shall not be in excess of FOUR THOUSAND FIVE HUNDRED (4500) 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.

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 ONE HUNDRED SIXTY (160) acres, then and in such event the remaining unassigned acreage up to and including a total of EIGHTY (80) 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.

Notwithstanding the above, the acreage assigned to an oil well which has been drilled as a

Horizontal Drainhole may contain more than ONE HUNDRED SIXTY (160) acres providing that the following formula is utilized to determine the proper assignment of acreage:

$$\text{Formula: } A = (L \times 0.11488) + 160 = \text{acres}$$

Where

A = calculated area assignable, if available, to a horizontal drainhole for proration purposes rounded upward to the next whole number divisible by 40; acres

L = the horizontal drainhole distance measured in feet between the point at which the drainhole penetrates the top of the correlative interval designated as the Sand Branch Creek (Buda) Field and the horizontal drainhole end point within the designated interval.

The two farthestmost point in any horizontal drainhole well proration unit shall be determined by the formula:

Maximum Diagonal = $475.933 \sqrt{A}$, where A is determined above, but not less than TWO THOUSAND (2000) feet plus horizontal displacement.

Multiple Drainholes Allowed: A single well may be developed with more than one horizontal drainhole from a single wellbore. A horizontal drainhole well developed with more than one horizontal drainhole shall be treated as a single well. The horizontal drainhole displacement (L) used for determining the proration unit assignable acreage (A) for a well with multiple horizontal drainholes shall be the longest horizontal drainhole plus the projection, on a line that extends in a 180 degree direction from the longest horizontal drainhole, or any other horizontal drainhole drilled in a direction greater than 90 degrees from the longest horizontal drainhole. A well developed with horizontal drainholes shall be regarded as having multiple orientations.

An operator may present evidence to substantiate a drainage area up to twice the size determined by the formula as set out above in this rule. After review of this evidence the Commission may grant an exception and provide for larger proration units than determined by this formula if necessary to prevent waste or protect correlative rights. The application may be filed before a well is drilled and based upon evidence of interference problems between nearby wells. The acreage assignable to a horizontal drainhole must reasonably be anticipated to be drained by the horizontal drainhole well. The exception may be granted by the Director of the Oil & Gas Division or his delegate. If the Director or his delegate does not recommend approval, the applicant shall have the right to a hearing upon request. After the hearing, the examiner shall recommend final action 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 TWO.TWO (2.2) by the number of acres in the proration unit authorized in Rule 3 above, 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.

It is further **ORDERED** that all overproduction for the Hallwood Petroleum, Inc., H. Larue Well No. 1H be canceled.

It is further **ORDERED** that these rules are temporary and effective until July 12, 2000, or until Commission staff evaluates appropriate data after **notice and hearing** as offered by the Commission prior to the expiration of the rules. After this notice and hearing, should the evidence 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.

Effective this twelfth day of January, 1999.

RAILROAD COMMISSION OF TEXAS

COMMISSIONER

COMMISSIONER

COMMISSIONER

ATTEST:

Secretary

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