

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

**OIL AND GAS DOCKET  
NO. 06-0257403**

**IN THE CARTHAGE, N.  
(BOSSIER SHALE) FIELD, HARRISON,  
PANOLA AND RUSK COUNTIES,  
TEXAS**

**FINAL ORDER  
ADOPTING FIELD RULES FOR THE  
CARTHAGE, N. (BOSSIER SHALE) FIELD  
HARRISON, PANOLA AND RUSK COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 25, 2008, the presiding examiner's have 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 rules shall be adopted for the Carthage, N. (Bossier Shale) Field, Harrison, Panola and Rusk Counties, Texas.

**RULE 1:** The entire correlative interval from 9,850 feet to 11,280 feet as shown on the log of the Penn Virginia Oil & Gas L.P., Sylvia & Sandra Herrin GU No. 1, Well No. 2, API No. 42-203-33407, Section 145, L. Wallace Survey, A- 744, Harrison County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Carthage, N. (Bossier Shale) Field.

**RULE 2:** No well shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line, or subdivision line. No minimum between well spacing requirement shall apply between vertical and horizontal wells. There shall be FIVE HUNDRED (500) feet well spacing between vertical wells and there shall be FIVE HUNDRED (500) feet well spacing between horizontal wells in this field. The aforementioned distance in the above rule is a minimum distance 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 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 the lease line spacing requirement 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 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 the property line, lease line, or subdivision line.
- c. All take points in a horizontal drainhole well shall be a minimum distance of FIVE HUNDRED (500) feet from take points in any existing, permitted, or applied for horizontal drainhole on the same lease.

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 for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) 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 FORTY FOUR (44) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of TWO THOUSAND ONE HUNDRED (2,100) feet removed from each other. Each proration unit containing less than FORTY (40) acres shall be a fractional proration unit. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas. No double assignment of acreage will be accepted.

For the determination of acreage credit in this field, operators shall file for each 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. When the allocation formula in this field is suspended, operators in this field shall not be required to file plats with the Form P-15. When the allocation formula is in effect in this field, operators shall be required to file, along with the Form P-15, individual proration unit plats showing the acreage assigned to each well. Provided further, that if the acreage assigned to any well 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.

Operators are required to file an as-drilled plats showing the path, penetration point,

production take points and terminus of all drainholes in horizontal wells regardless of allocation formula status.

**RULE 4:** For oil and gas wells, Stacked Lateral Wells within the correlative interval for the field that are drilled from different wellbores may be considered a single well for regulatory purposes, as provided below:

1. A horizontal drainhole well qualifies as a Stacked Lateral Well under the following conditions:
  - a) There are two or more horizontal drainhole wells on the same lease or pooled unit within the correlative interval for the field;
  - b) Each horizontal drainhole is drilled from a different surface location on the same lease or pooled unit;
  - c) There shall be no more than 200 feet between the surface locations of horizontal drainholes qualifying as a Stacked Lateral Well.
  - d) Each point of a Stacked Lateral Well's horizontal drainhole shall be no more than 200 feet in a horizontal direction from any point along any other horizontal drainhole of that same Stacked Lateral Well. This distance is measured perpendicular to the orientation of the horizontal drainhole and can be illustrated by the projection of each horizontal drainhole in the Stacked Lateral Well into a common horizontal plane as seen on a location plat; and
  - e) There shall be no maximum or minimum distance limitations between horizontal drainholes of a Stacked Lateral Well in a vertical direction.
2. Each horizontal drainhole drilled as a Stacked Lateral Well must be permitted separately and assigned an API number. A Stacked Lateral Well, including all horizontal drainholes comprising such Stacked Lateral Well, shall be considered as a single well for density and allowable purposes.
3. In permitting a Stacked Lateral Well, the operator shall identify in the "Remarks" of the Form W-1 drilling permit application that the horizontal drainhole is to be a Stacked Lateral Well. The operator shall also identify on the plat any other existing, or applied for, horizontal drainholes comprising the Stacked Lateral Well being permitted.
4. To be a regular location, each horizontal drainhole of a Stacked Lateral Well must comply with (i) the field's minimum spacing distance as to any lease, pooled unit or property line, and (ii) the field's minimum between well spacing distance as to any different well, including all horizontal drainholes of any other Stacked Lateral Well, on the same lease or pooled unit in the field. Operators may seek exceptions to Rules 37 and 38 for Stacked

Lateral Wells in accordance with the Commission 's rules.

5. For each Stacked Lateral Well, the operator must file Form G-1 or Form W-2 for the Commission's Proration Department to build a fictitious "Record" well for the Stacked Lateral Well. This Record Well will be identified with the words "SL Record" included in the lease name. This Record Well will be assigned an API number and Gas Well ID or Oil lease number.
6. Operators shall file separate completion forms, including directional surveys, for each horizontal drainhole of the Stacked Lateral Well. Operators shall also file a certified plat for each horizontal drainhole of a Stacked Lateral Well confirming the well's qualification as a Stacked Lateral Well and showing the maximum distances in a horizontal direction between each horizontal drainhole of the Stacked Lateral Well.
7. Each horizontal drainhole of a Stacked Lateral Well will be listed on the proration schedule, but no allowable shall be shown for an individual horizontal drainhole. Each horizontal drainhole of a Stacked Lateral Well shall be required to have a separate G-10 or W-2 test and the sum of all horizontal drainhole test rates shall be reported as the test rate for the Record well.
8. Operators shall report all production from horizontal drainholes included as a Stacked Lateral Well on Form PR to the Stacked Lateral Record Well. Production reported for a Stacked Lateral Record Well is the total production from the horizontal drainholes comprising the Stacked Lateral Well.
9. If the field's 100% AOF status should be removed, the Commission's Proration Department shall assign a single gas allowable to each Stacked Lateral Record Well classified as gas well. The Commission's Proration Department shall also assign a single oil allowable to each Stacked Lateral Record Well classified as an oil well. The assigned allowable may be produced from any one or all of the horizontal drainholes comprising the Stacked Lateral Well.
10. Operators shall file an individual Form W-3A Notice of Intention to Plug and Abandon and Form W-3 Form Plugging Report for each horizontal drainhole comprising the Stacked Lateral Well as required by Commission rules.
11. An operator may not file Form P-4 to transfer an individual horizontal drainhole of a Stacked Lateral Well to another operator. P-4's filed to change the operator will only be accepted for the Record well if accompanied by a separate P-4 for each horizontal drainhole of the Stacked Lateral Well

**RULE 5:** The daily allowable production of gas from individual wells completed in a non-associated gas reservoir of the subject field shall be determined by allocating

the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells in the proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all proratable wells producing from the same reservoir.

It is further ordered that the allocation formula in the Carthage, N. (Bossier Shale) Field will remain suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the Carthage, N. (Bossier Shale) Field drops below 100% of deliverability.

Done this 25<sup>th</sup> day of August, 2008.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotested Master Order dated August  
25, 2008)**