

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

**OIL AND GAS DOCKET
NO. 7C-0242732**

**IN THE DAVIS (DEVONIAN) FIELD,
UPTON COUNTY, TEXAS**

**FINAL ORDER
AMENDING AND RENUMBERING THE FIELD RULES
ADOPTED IN FINAL ORDER NO. 7C-55,348
ISSUED EFFECTIVE MARCH 27, 1965, AS AMENDED
FOR THE DAVIS (DEVONIAN) FIELD
UPTON COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on May 26, 2005, 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 Special Field Rule No. 4 as adopted in Final Order No.7C-55,348, issued effective March 27, 1965, as amended, for the Davis (Devonian) Field, Upton County, Texas is rescinded. It is further ordered that the Special Field Rules as adopted in Final Order No. 7C-55,348, issued effective March 27, 1965, as amended, for the Davis (Devonian) Field, Upton County, Texas be and are renumbered and amended as hereafter set out.

RULE 1: The entire correlative interval and its stratigraphic equivalent from 11,510' to 12,298' as shown on the Open Hole Platform Express, High Resolution Laterolog Array log of the EOG Resources, Inc., Dovie Davis "16" Lease Well No. 1H (API No. 42-461-34506), Section 16, Blk 41, T-5-S, T&P RR Co. Survey, A-908, Upton County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Davis (Devonian) Field.

RULE 2: No vertical well for oil or gas shall hereafter be drilled nearer than FOUR HUNDRED AND SIXTY-SEVEN (467) feet to any property line, lease line or subdivision line and no well shall be drilled nearer than NINE HUNDRED AND 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.

No horizontal drainhole well for oil or gas shall hereinafter 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.

For each horizontal drainhole well for oil or gas the perpendicular distance from any point on such horizontal drainhole to any point on any property line, lease line, or subdivision line shall be a minimum of FOUR HUNDRED AND SIXTY-SEVEN (467) feet. No point on a horizontal well within the correlative interval shall be closer than NINE HUNDRED AND 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 any horizontal drainhole wells which are parallel or subparallel (within 45 degrees of parallel) and do not overlap more than THREE HUNDRED (300) feet.

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 displacement plus the projection, on a line that extends in a 180 degree direction from the longest horizontal drainhole of any other horizontal drainhole drilled in a direction greater than 90 degrees from the longest horizontal drainhole. A well developed with multiple drainholes shall be regarded as having multiple orientations.

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 shall therefor 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. Notwithstanding the above, no between well spacing shall apply between a vertical well and a horizontal drainhole well.

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

RULE 3a: The acreage assigned an 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 ONE HUNDRED AND SIXTY (160) acres. No proration unit shall contain more than ONE HUNDRED AND SIXTY (160) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each proration unit so that an amount not to exceed a maximum of ONE HUNDRED AND SEVENTY-SIX (176) acres may be assigned. The two farthestmost points of any proration unit shall not be in excess of FORTY FIVE HUNDRED (4,500) feet removed from each other. Each proration unit containing less than ONE HUNDRED AND SIXTY (160) 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.

An operator, at his option, shall be permitted to form optional drilling units of EIGHTY (80)

acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of an EIGHTY (80) acre fractional proration unit shall not be greater than THREE THOUSAND TWO HUNDRED AND FIFTY (3250) feet removed from each other.

RULE 3b: 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 FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. 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; 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. No double assignment of acreage will be accepted.

RULE 3c: Notwithstanding the above, for gas horizontal drainhole wells completed on a 160 acre unit, the maximum diagonal shall be 4,500' plus the horizontal drainhole length for any horizontal drainhole well drilled on that proration unit; horizontal wells completed on optional 80 acre units, the maximum diagonal shall be 3,250' plus the horizontal drainhole length for any horizontal drainhole well drilled on that proration unit. All points of the horizontal drainhole shall be within the confines of the designated proration unit. For oil horizontal drainhole wells completed on a 40 acre unit, the maximum diagonal shall be 2,100' plus the horizontal drainhole length for any horizontal drainhole well drilled on that proration unit.

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 4a: 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 following manner:

SIXTY-SEVEN percent (67%) of the total field allowable shall be allocated among the individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all proratable wells producing from this field.

THIRTY-THREE percent (33%) of the total field allowable shall be allocated among the individual wells in the proportion to the number of wells in the subject field.

RULE 4b: The daily oil allowable for each individual well in the subject field shall be

based on the top allowable per day and/or determined by the sum total of the following two values:

SIXTY-SEVEN percent (67%) of the total field allowable shall be allocated among the individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all prorable wells producing from this field.

THIRTY-THREE percent (33%) of the total field allowable shall be allocated among the individual wells in the proportion to the number of wells in the subject field.

Further, it is ORDERED by the Railroad Commission of Texas that the allocation formula in the Davis (Devonian) Field shall remain suspended pursuant to Statewide Rule 31(j) and as provided for in Tex. Nat. Res. Code §86.222) for each day the operators fail to give notice to the Commission.

It is further ORDERED by the Commission that the following wells (whether completed or drilling) shall be transferred (without fee) from the Amacker-Tippett (Devonian) Field to the Davis (Devonian) Field: the Dovie Davis "16" Lease Wells No. 1H and 2H, Railway Ranch "9" Unit Well No. 1H, Railway Ranch "17" Unit Well No. 1H and Railway Ranch "21" Lease Well No. 1H, and the current permitted-drilling wells Railway Ranch "9" Unit Well No. 2H and Railway Ranch "20" Lease Well No. 1H.

Done this _____ day of _____, 2005.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by OGC
unprotested Master Order dated _____,
2005)**