

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

**OIL AND GAS DOCKET
NO. 7C-0273987**

**IN THE JUNE ANN (STARKEY-CANYON
SD) FIELD, IRION AND TOM GREEN
COUNTIES, TEXAS**

**FINAL ORDER
ADOPTING TEMPORARY FIELD RULES FOR THE
JUNE ANN (STARKEY-CANYON SD) FIELD
IRION AND TOM GREEN COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on February 14, 2012, 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.

It is further ordered that the following temporary field rules shall be adopted for the June Ann (Starkey-Canyon SD) Field, Tom Green and Irion Counties, Texas:

RULE 1: The entire correlative interval from 6,298 feet to 7,158 feet as shown on the Compensation Density Neutron Microlog log of the Energy From Texas - Turner T.D. 24 Lease Well No. 3, (API 42-451-32490), H&TC RR Co Survey, A-8597, Sec 24, Tom Green County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the June Ann (Starkey-Canyon SD) Field.

RULE 2: No gas or oil well shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line or subdivision line and no 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. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well. The Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed whenever the Commission determines 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 3a: 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 THREE HUNDRED AND TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED AND TWENTY (320) 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 THREE HUNDRED FIFTY TWO (352) acres may be assigned. The two farthestmost points in any proration unit shall not be in excess of SIX THOUSAND FIVE HUNDRED (6,500) feet removed from each other. Each proration unit containing less than THREE HUNDRED AND TWENTY (320) 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.

An operator, at his option, shall be permitted to form optional drilling units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a FORTY (40) acre fractional proration unit shall not be greater than TWO THOUSAND ONE HUNDRED (2,100) feet removed from each other.

RULE 3b: The acreage assigned an 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 EIGHTY (80) acres. No proration unit shall contain more than EIGHTY (80) acres. The two farthestmost points of any proration unit shall not be in excess of THREE THOUSAND TWO HUNDRED FIFTY (3,250) 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.

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 EIGHTY (80) 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 proration units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit. The two farthestmost points of a FORTY (40) acre fractional proration unit shall not be greater than TWO THOUSAND ONE HUNDRED (2,100) feet removed from each other.

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 subject field shall be classified as associated prorated. The daily

allowable production of gas from individual wells completed in 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:

NINETY percent (90%) of the field's total allowable shall be allocated among the individual wells in the proportion that the deliverability of such well, as evidenced by the most recent G-10 test filed with the Railroad Commission bears to the summation of the deliverability of all prorable wells producing from the field.

TEN percent (10%) 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.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be based on the applicable yardstick oil allowable and the actual allowable for an individual well shall be determined by the sum total of the two following values:

- a. Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing the maximum acreage authorized exclusive of tolerance acreage multiplied by TEN percent (10%) and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well and the denominator of which is the maximum acreage authorized for a proration unit exclusive of tolerance acreage.
- b. Each well shall be assigned an allowable equal to NINETY PERCENT (90%) of the maximum daily oil allowable above.

It is further ordered that the allocation formula in the June Ann (Starkey-Canyon SD) Field will be suspended. The allocation formula may be reinstated administratively, in accordance with the Commission's rules, if the market demand for gas in the June Ann (Starkey-Canyon SD) Field drops below 100% of deliverability.

It is further ordered that these rules are temporary and effective until March 10, 2014, 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, may be modified or terminated.

It is further ordered that the Teague 9 Well No. 3, API 235-34172, located in Irion County, Texas, are hereby transferred into the June Ann (Starkey-Canyon SD) Field without requiring new drilling permits.

Done this 20th day of March, 2012.

RAILROAD COMMISSION OF TEXAS
(Order approved and signatures affixed by
OGC Unprotested Master Order dated March
20, 2012)