

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

**OIL AND GAS DOCKET  
NO. 08-0261958**

**IN THE HOBAN (BONE SPRINGS)  
FIELD, REEVES COUNTY, TEXAS**

**FINAL ORDER  
ADOPTING RULES AND REGULATIONS  
FOR THE HOBAN (BONE SPRINGS) FIELD,  
REEVES COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on July 2, 2009, 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 field rules shall be adopted for the Hoban (Bone Springs) Field, Reeves County, Texas.

**RULE 1:** The entire correlative interval from 8,070 feet to 10,630 feet as shown on the electric log of the Sinclair Collier Well No. 1, API No. 389-10544, Section 14, Block 52, T & P RR Co Survey, A-4513, Reeves County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Hoban (Bone Springs) Field.

**RULE 2:** No 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 ONE THOUSAND TWO HUNDRED (1,200) 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, 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 spacing 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 FOUR HUNDRED SIXTY SEVEN (467) feet from the property line, lease line, or subdivision line. A permit or an amended permit is required for any take point closer to the lease line than the lease line spacing distance, including any perforations added in the vertical portion or the curve of a horizontal drainhole well.
- c. All take points in a horizontal drainhole well shall be a minimum distance of TWELVE HUNDRED (1200) feet from take points in any existing, permitted, or applied for horizontal drainhole on the same lease, unit or unitized tract. There shall be no minimum between well spacing between horizontal and vertical wells.

In addition to the penetration point and the terminus of the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first take point in the wellbore and all proposed take points within the minimum lease line spacing requirement must also be identified on the drilling permit application (remarks section) and plat. Operators shall file an as-drilled plat showing the path, penetration point, terminus and all take points of all drainholes in horizontal wells, regardless of allocation formula.

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, and the two farthestmost points in any proration unit for a vertical well shall not be in excess of FOUR THOUSAND FIVE HUNDRED (4,500) 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.

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 FORTY (40) 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 FORTY (40) acres, with a proportional acreage allowable credit for a well on fractional proration units. 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.

For the purpose of allocating allowable oil production, acreage may be assigned to each Horizontal Drainhole Well up to the acreage determined by the following formula:

$A = (L \times 0.11488) + 160$  acres, where A = calculated area assignable, if available, to a horizontal drainhole for proration purposes rounded upward to the next whole number evenly divisible by 40 acres; and L = the Horizontal Displacement of the well measured in feet between the point at which the drainhole penetrates the top of the designated interval for the field and the horizontal drainhole end point within the designated interval for the field, provided that L is at least 150 feet.

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

Maximum Diagonal =  $475.933 \sqrt{A}$ , but not less than 2,000 feet plus the Horizontal Drainhole Displacement, where A = the acres actually assigned to the proration unit.

All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive. No double assignment of acreage will be accepted.

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 each well in the subject field shall be based on the 1967 yardstick 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 75% 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 25% of the maximum daily oil allowable above.

Done this 21<sup>st</sup> day of July, 2009.

**RAILROAD COMMISSION OF TEXAS  
(Order approved and signatures  
affixed by OGC Unprotested Master  
Order dated July 21, 2009.)**