

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

**OIL AND GAS DOCKET  
NO. 09-0246654**

**IN THE BIG INDIAN (DORNICK HILLS)  
FIELD, GRAYSON COUNTY, TEXAS**

**FINAL ORDER  
APPROVING THE APPLICATION OF  
CHESAPEAKE OPERATING, INC. FOR  
FIELD RULES AND  
INCREASED GAS/OIL RATIO AUTHORITY  
FOR THE BIG INDIAN (DORNICK HILLS) FIELD  
GRAYSON COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on May 19, 2006, 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, 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.

**RULE 1:** The entire correlative interval from 8550 feet to 10,670 feet as shown on the resistivity-porosity log of the Chesapeake Operating, Inc., McKinney Lease Well No. 1, API No. 181 31370, W.C. Carruthers Survey, A-209, Grayson County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Big Indian (Dornick Hills) Field.

**RULE 2:** No well for oil or gas shall hereafter be drilled nearer than **THREE HUNDRED THIRTY (330)** feet to any property line, lease line, or subdivision line and no well shall be drilled nearer than **SIX HUNDRED SIXTY (660)** 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 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 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 (2100) 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 FORTY (40) 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 fractional proration units of TWENTY (20) acres, with a proportional acreage allowable credit for a well on fractional proration units. The two farthestmost points of a TWENTY (20) acre fractional proration unit shall not be greater than ONE THOUSAND FIVE HUNDRED (1500) 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 4: The maximum daily oil allowable for each well in the subject field shall be 157 barrels of oil per day, upon expiration of the discovery 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 its potential based on the most recent well test filed with the Commission multiplied by NINETY-FIVE percent provided that this value shall not exceed yardstick barrels of oil per day multiplied by 95%.
- b. Each well shall be assigned an allowable equal to FIVE percent of the maximum daily oil allowable above.

RULE 5: The total volume of gas produced from an oil well operating under the increased gas-oil ratio authority granted herein for wells in the Big Indian (Dornick Hills) Field, Grayson County, shall not exceed 1500 MCF of gas per day. The top oil allowable will remain 157 BOPD per well.

It is further **ORDERED** that all overproduction for the wells in the Big Indian (Dornick Hills) Field be and is hereby canceled as of the date of the Final Order.

Done this twelfth day of September, 2006.

**RAILROAD COMMISSION OF TEXAS**  
(Order approved and signatures affixed by  
OGC Unprotested Master Order dated  
September 12, 2006.)