

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

**OIL AND GAS DOCKET
NO. 10-0262318**

**IN THE LIPSCOMB, S. W. (CLEVELAND)
FIELD, LIPSCOMB COUNTY, TEXAS**

**FINAL ORDER
AMENDING FIELD RULE NOS. 2 AND 4 FOR THE
LIPSCOMB, S. W. (CLEVELAND) FIELD
LIPSCOMB COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on August 14, 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 Field Rule Nos. 2 and 4 of the Field Rules adopted in Final Order No.10-71,004, effective March 1, 1979, as amended, for the Lipscomb, S. W. (Cleveland) Field, Lipscomb County, Texas, are hereby amended as follows:

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 well shall be drilled nearer than NINE HUNDRED THIRTY THREE (933) feet to any other applied for, permitted or completed well in the same reservoir on the same lease, pooled unit or unitized tract. There is no minimum spacing requirement between horizontal and vertical wells. 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 in either field. 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.

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

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 into the wellbore 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 NINE HUNDRED THIRTY THREE (933) feet from take points in any existing, permitted, or applied for horizontal drainhole well on the same lease, unit or unitized tract.

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 and last take points 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 the first and last take points of all drainholes in horizontal wells, regardless of allocation formula.

For the purpose of assigning additional acreage to a horizontal well, the distance from the first take point to the last take point in the horizontal drainhole shall be used in such determination, in lieu of the distance from penetration point to terminus.

RULE 4a: 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 allowable, among the individual wells in the following manner:

FIFTY percent (50%) 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.

FIFTY percent (50%) of the total field 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 this field.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be 133 barrels of oil per day and the actual allowable for an individual well shall be determined by the sum total of the two following values:

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 FIFTY percent (50%) 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.

Each well shall be assigned an allowable equal to its potential based on the most recent well test filed with the Commission multiplied by FIFTY percent (50%), provided that this value shall not exceed 133 barrels of oil per day multiplied by FIFTY percent (50%).

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.

It is further **ORDERED** that the allocation formula in the Lipscomb, S. W. (Cleveland) 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 Lipscomb, S. W. (Cleveland) Field drops below 100% of deliverability.

Done this 29th day of September, 2009.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
OGC Unprotested Master Order dated
September 29, 2009)**