

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET  
NO. 03-0287400**

**IN THE MAGNOLIA SPRINGS (AUSTIN  
CHALK) FIELD, JASPER COUNTY, TEXAS**

**FINAL ORDER  
AMENDING FIELD RULES  
FOR THE MAGNOLIA SPRINGS (AUSTIN CHALK)  
FIELD, JASPER COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on March 19, 2014, the presiding examiners have 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 examiners' 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 Field Rules adopted in No. 03-0256485, effective July 15, 2008, and amended in Final Order No. 03-0269786, effective June 27, 2011, for the Magnolia Springs (Austin Chalk) Field, (56785 500), Jasper County, Texas, are hereby amended. The amended Field Rules are set out in their entirety as follows:

**RULE 1:** The correlative interval from 13,685 feet to 14,108 feet measured depth as shown on the log of the Anadarko E&P Company LP, Black Stone Isaacs A-316 Lease Well No. 1 (API No. 42-241-30728), Jasper County, Texas, shall be designated as the Magnolia Springs (Austin Chalk) Field.

**RULE 2:** No vertical well for 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.

No horizontal drainhole well for gas shall hereafter be drilled such that the penetration point or terminus of a horizontal drainhole is nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.

For each horizontal drainhole well, the perpendicular distance from any point on such horizontal drainhole between the penetration point and the terminus, to any point on any property line, lease line or subdivision line shall be a minimum of ONE THOUSAND TWO HUNDRED (1,200) feet. No point on a horizontal drainhole within the correlative interval shall be closer than ONE THOUSAND TWO HUNDRED (1,200) feet to such point on another horizontal well on the same lease, provided that this restriction on spacing between wells shall not apply to horizontal drainhole wells that are parallel or subparallel and do not overlap more than ONE HUNDRED (100) feet.

A properly permitted horizontal drainhole will be considered to be in compliance with the spacing rules set forth herein if the as-drilled location falls within a rectangle established as follows:

- a) Two sides of the rectangle are parallel to the permitted drainhole and 120 feet on either side of the drainhole;
- b) The other two sides of the rectangle are perpendicular to the sides described in (a) above, with one of those sides passing through the permitted terminus and the other passing through the permitted penetration point.

Any point of a horizontal drainhole outside of the described rectangle must conform to the permitted distance to the nearest property line, lease line, or subdivision line measured perpendicular from the wellbore.

Provided further that, if the final survey point of the directional survey submitted to the Commission is within the range of 150 degrees to 210 degrees (for a south lateral) or within the range of 330 degrees to 30 degrees (for a north lateral), then the lateral of the as-drilled horizontal drainhole shall be considered to have been drilled perpendicular to the north or south property line, lease line or subdivision line, as the case may be.

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.

For any horizontal well, the directional survey shot points shall not be more than FIVE HUNDRED (500) feet apart for that portion of the horizontal well within ONE THOUSAND (1,000) feet of the permitted total depth of any lateral.

**RULE 3:** The acreage assigned to 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 THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED 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 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.

Notwithstanding the above, the acreage assigned to a gas well which has been drilled as a horizontal drainhole may contain more than THREE HUNDRED TWENTY (320) acres providing that the following formula is utilized to determine the proper assignment of acreage:

$$A = 320 \text{ acres} + ( L \times 0.2 ) \text{ acres}$$

Where: A = calculated area assignable, if available, to a horizontal drainhole for proration purposes;  
L = the horizontal drainhole distance measured in feet between the point at which the drainhole penetrates the top of the Austin Chalk and the horizontal drainhole end point within the Austin Chalk.

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

$$\text{Maximum Diagonal} = 5,000 \text{ feet} + ( L \times 2.5 ) \text{ feet}$$

**RULE 4:** 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 proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all proratable wells producing from the same reservoir.

**RULE 5:** For all gas wells, the 24-hour shut-in wellhead pressure described by Statewide Rule 3.28(c) is not required and need not be determined or reported on Form G-10.

It is further **ORDERED** that all wells completed in the Magnolia Springs (Austin Chalk) Field shall be permanently classified as gas wells, without the need for further

administrative review.

Done this 22<sup>nd</sup> day of May, 2014.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
Hearings Divisions' Unprotested Master  
Order dated May 22, 2014)**