RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
HEARINGS SECTION

OIL AND GAS DOCKET
NO. 08-0274237

IN THE PHANTOM (WOLFCAMP) FIELD, LOVING, REEVES, WARD AND WINKLER COUNTIES, TEXAS

FINAL ORDER
CONSOLIDATING VARIOUS BONE SPRINGS AND WOLFCAMP FIELDS INTO THE PHANTOM (WOLFCAMP) FIELD AND AMENDING FIELD RULES FOR THE PHANTOM (WOLFCAMP) FIELD LOVING, REEVES, WARD AND WINKLER COUNTIES, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on February 2, 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.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the following fields located in Loving, Reeves, Ward and Winkler Counties, Texas, are hereby combined into the Phantom (Wolfcamp) Field (ID No. 71052 900):

FIELD NAME	FIELD NUMBER
Phantom Ranch (Wolfcamp)	71080 475
Phantom, W. (Bone Spring)	71058 200
Quito (Bone Spring)	73926 400
Quito (Wolfcamp)	73926 700
Soda Lake (Bone Springs)	84477 200
Vermejo, E. (Wolfcamp)	93586 600
Wolf (Wolfcamp)	98360 500

Wells in the subject fields shall be transferred into the Phantom (Wolfcamp) Field without requiring new drilling permits and plats.

It is further **ORDERED** by the Railroad Commission of Texas that the Field Rules adopted in Final Order No. 08-0253661, effective December 18, 2007, as amended, for the Phantom (Wolfcamp) Field, Ward County, Texas, are hereby amended. The amended Field Rules are set out in their entirety as follows:

RULE 1: The entire correlative interval from 10,455 feet to 11, 326 feet as shown on the log of the Amtex Energy, Inc. - Lee 128 Lease, Well No. 1 (API No. 42-475-30939), Section 128, Block 34, H&TC RR Co. Survey, A-640, Ward County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Phantom (Wolfcamp) 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. There is no minimum between well spacing requirement. 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.

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. No horizontal drainhole well for oil or gas shall hereafter be drilled such that the first and last take point are nearer than TWO HUNDRED (200) feet to any property line, lease line or subdivision line.

c. For each horizontal drainhole well, the perpendicular distance from any take point on such horizontal drainhole between the first take point and the last take point to any point on any property line, lease line, or subdivision line shall be a minimum of FOUR HUNDRED SIXTY SEVEN (467) feet.

For the purpose of assigning additional acreage to a horizontal well pursuant to the table listed in this Order, 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.

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.

If the applicant has represented in the drilling application that there will be one or more no perf zones or ""NPZ"s"" (portions of the wellbore within the field interval without take points), then the as-drilled plat filed after completion of the well shall be certified by a person with knowledge of the facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all pertinent and required data. In addition to the standard required data, the certified plat shall include the as-drilled track of the wellbore, the location of each take point on the wellbore, the boundaries of any wholly or partially unleased tracts within a Rule 37 distance of the wellbore, and notations of the shortest distance from each wholly or partially unleased tract within a Rule 37 distance of the wellbore to the nearest take point on the wellbore.

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 50 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 first take point and the other side passing through the last take point.

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

For any well permitted in this field, the penetration point need not be located on the same lease, pooled unit or unitized tract on which the well is permitted and may be located on an Offsite Tract. When the penetration point is located on such Offsite Tract, the applicant for such a drilling permit must give 21 days notice by certified mail, return receipt requested to the mineral owners of the Offsite Tract. For the purposes of this rule, the mineral owners of the Offsite Tract are (1) the designated operator; (2) all lessees of record

for the Offsite Tract where there is no designated operator; and (3) all owners of unleased mineral interests where there is no designated operator or lessee. In providing such notice, applicant must provide the mineral owners of the Offsite Tract with a plat clearly depicting the projected path of the entire wellbore. In the event the applicant is unable, after due diligence, to locate the whereabouts of any person to whom notice is required by this rule, the applicant must publish notice of this application pursuant to the Commission's Rules of Practice and Procedure. If any mineral owner of the Offsite Tract objects to the location of the penetration point, the applicant may request a hearing to demonstrate the necessity of the location of the penetration point of the well to prevent waste or to protect correlative rights. Notice of Offsite Tract penetration is not required if (a) written waivers of objection are received from all mineral owners of the Offsite Tract; or, (b) the applicant is the only mineral owner of the Offsite Tract. To mitigate the potential for well collisions, applicant shall promptly provide copies of any directional surveys to the parties entitled to notice under this section, upon request.

RULE 3a: The acreage assigned to the individual gas well 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. 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.

RULE 3b: 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 THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) acres except as hereinafter provided. 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 THREE HUNDRED TWENTY (320) 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.

The acreage assignable to the individual horizontal oil or gas well shall be determined by the following table:

Horizontal Drainhole Length, feet	Maximum Proration Unit Size, acres
0' - 1,500'	320
1,500' - 3,000'	480
3,000' - 4,500'	640
> 4,500'	704

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.

For the determination of acreage credit in this field, operators shall file for each oil or gas 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. For oil or gas wells, operators shall be required to file, along with the Form P-15, a plat of the lease, unit or property; provided that such plat shall not be required to show individual proration units. There is no maximum diagonal limitation in this field.

RULE 4a: The gas 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:

FIVE percent (5%) of the field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

NINETY FIVE percent (95%) 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 proratable wells producing from this field.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be determined by multiplying the number of acres in its proration unit by 9.0 barrels per acre.

It is further **ORDERED** by the Railroad Commission of Texas that the application of Anadarko Petroleum Corporation for suspension of the allocation formula in the Phantom (Wolfcamp) Field is approved. The allocation formula may be reinstated administratively if the market demand for gas in the Phantom (Wolfcamp) Field drops below 100% of deliverability. If the market demand for gas in the Phantom (Wolfcamp) Field drops below 100% of deliverability while the allocation formula is suspended, the operator shall immediately notify the Commission and the allocation formula shall be immediately reinstated.

Done this 28th day of February, 2012.

RAILROAD COMMISSION OF TEXAS

(Order approved and signatures affixed by OGC Unprotested Master Order dated February 28, 2012)