

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 10-0281871**

**IN THE LIPSCOMB (CLEVELAND)
FIELD, LIPSCOMB COUNTY, TEXAS**

**FINAL ORDER
AMENDING FIELD RULES FOR THE
LIPSCOMB (CLEVELAND) FIELD
LIPSCOMB COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on June 25, 2013, 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, **ORDERED** that the following rules adopted in Final Order No. 10-70,275, effective November 6, 1978, as amended for the Lipscomb (Cleveland) Field, Lipscomb County, Texas, are hereby amended and presented in their entirety as follows:

RULE 1: The entire correlative interval from 7,779 feet to 8,156 feet as shown on the Dual Induction Focused Gamma Ray log of the Mewbourne Oil Company Tubb "423" Lease, Well No. 3, (API No. 42-295-32169), Section 423, Block 43, H & TC RR Co. Survey, Lipscomb County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Lipscomb (Cleveland) 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. There is no minimum between well spacing limitation for any oil or gas well. 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 unless otherwise modified by these special field rules, which applicable provisions of said statewide 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 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 ONE HUNDRED (100) 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 THREE HUNDRED THIRTY (330) feet.

For the purpose of assigning additional acreage to a horizontal well pursuant to Statewide Rule 86, 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 nearest 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 an individual oil well for the purpose of allocating allowable oil production 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; provided that after the drilling of the last well on the lease and the assignment of acreage to each well thereon in accordance with the rules of the Commission there remains an additional unassigned acreage of less than ONE HUNDRED SIXTY (160) acres, then 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 may meet the limitations prescribed by the Commission. Each proration unit containing less than ONE HUNDRED SIXTY (160) 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 oil. No double assignment of acreage will be accepted.

An operator, at his option, shall be permitted to form optional drilling units for oil wells of FORTY (40) acres. A proportional acreage allowable credit will be given to a well on a fractional proration unit.

RULE 3b: The acreage assigned to an individual gas well for the purpose of allocating allowable gas production shall be known as a proration unit. The standard drilling and proration units are established hereby to be SIX HUNDRED FORTY (640) acres. No proration unit shall consist of more than SIX HUNDRED FORTY (640) 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 SEVEN HUNDRED FOUR (704) acres may be assigned. Each proration unit consisting of less than SIX HUNDRED FORTY (640) 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 for the purposes of allocation allowable gas production.

An operator, at his option, shall be permitted to form optional drilling units for gas wells of ONE HUNDRED SIXTY (160) acres. A proportional acreage allowable credit will be given to a well on a fractional proration unit.

Under the following conditions, an operator, at his option, shall be granted an exception to SWR 38 and permitted to form fractional gas well units of less than ONE HUNDRED SIXTY (160) acres, but not less than EIGHTY (80) acres:

The Railroad Commission shall notify in writing the operators and all unleased mineral owners of tracts (i) within 1,867 feet from the location of a vertical well or (ii) within 1,867 feet of any take point on a horizontal gas well within the correlative interval.

Designated operators, lessees of records for tracts that have no designated operator, and all owners of an unleased mineral interest receiving this written notification shall have 21 days from the date of issuance of the notice of application for a Rule 38 density exception to file a written protest with the Railroad Commission, such protest to be received by the Railroad Commission within said 21 day period.

If no written protest is received by the Railroad Commission within the 21 day period of time, or if written waivers are received from each designated operator, lessees of record tracts that have no designated operator, and all owners of unleased mineral interests to whom notice is required, the application shall be approved administratively by the Railroad Commission.

If a written protest is received by the Railroad Commission within 21 days of the date of issuance of the notice of application, the application will be scheduled for hearing at which the applicant must show that the fractional proration units and the well thereon are necessary to effectively drain an area of the field that will not be effectively drained by existing wells, or to prevent waste of confiscation.

Permits granted pursuant to the above position shall be issued as exceptions to Statewide Rule 38.

For permits requested on fractional units of less than EIGHTY(80) acres, the procedures set forth in 16 Tex. Admin. Code § 3.38 (Rule 38) shall apply.

Notwithstanding the above, the acreage assigned to a well that has been drilled as a horizontal drainhole may contain up to the acreage determined by the following formula:

$$A=(L \times 0.11488) + 160 \text{ acres for an oil well; or}$$

$$A=(L \times 0.11488) + 640 \text{ acres for a gas well.}$$

Where: A = calculated area assignable, if available, to a horizontal drainhole well 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 first take point and the last take point within the designated interval, provided that L is at least 100 feet.

In no event shall a horizontal well be assigned more than SEVEN HUNDRED FOUR (704) acres for an oil well or ONE THOUSAND TWO HUNDRED EIGHTY (1280) acres for a gas well for proration purposes.

For the determination of acreage credited in this field, operators shall file for each oil and 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 in lieu of amended Form P-15's. 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 such plat shall not be required to show individual proration units. Operators may, however, file such proration unit plats for individual wells if they so choose.

RULE 4a: The field shall be classified as associated prorated. The daily allowable production of gas from individual gas 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 field is classified as salvage and exempt from proration, and there shall be no restriction on production of oil or casinghead gas from oil wells.

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

Done this 6th day of August, 2013.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division Unprotested Master Order
dated August 6, 2013)**