

RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL AND GAS DOCKET
NO. 08-0287087

IN THE GARDEN CITY, S. (WOLFCAMP)
FIELD, GLASSCOCK COUNTY, TEXAS

ORDER NUNC PRO TUNC

AMENDING FIELD RULES
FOR THE GARDEN CITY, S. (WOLFCAMP) FIELD,
GLASSCOCK COUNTY, TEXAS

In conference at its office in Austin, Texas, the Railroad Commission of Texas took up for consideration its Final Order entered on May 22, 2014, the matter amending field rules for the Garden City, S. (Wolfcamp) Field, Glascock County, Texas. The Commission finds that the Final Order entered May 22, 2014, omitted the Applicant's request for blanket exceptions to Statewide Rule 10 for the Garden City, S. (Wolfcamp) Field No. 33998500, Frysak Farms (Devonian) Field No. 33154200, Jailhouse (Fusselman) Field No. 45484200, and Deadwood (Fusselman) Field No. 23736500, to which testimony was provided at hearing. It has also come to the Commission's attention that Paragraph 3 Field Rule 5, regarding using a "SL" designation in the well's lease name, and Paragraph 6 Field Rule 5, regarding filing of forms for "record wells," are outdated and no longer used by Commission staff or required of operators for administrative compliance and should be removed from the field rules.

Accordingly, it is **ORDERED** that the Final Order in Docket No. 08-0287087 be, and the same is hereby, amended *nunc pro tunc* to include the blanket Statewide Rule 10 exception to for the Garden City, S. (Wolfcamp) Field No. 33998500, Frysak Farms (Devonian) Field No. 33154200, Jailhouse (Fusselman) Field No. 45484200, and Deadwood (Fusselman) Field No. 23736500. Further, Paragraph 6 Field Rule 5 is deleted. The field rules for the Garden City, S. (Wolfcamp) Field are hereby presented in their entirety:

RULE 1: The entire combined correlative interval from 4,556 feet to 9,943 feet as shown on the log of the Cox 29 Well No. 2, API No. 42-173-33510, Section 29, Block 33, T4S, T & P RR Co. Survey, Glascock County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Garden City, S. (Wolfcamp) Field. This interval is intended to include all intervals between the top of the Upper Spraberry and the base of the Woodford Shale.

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 between well spacing limitation. 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.

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 points 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 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 "NPZs" (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.

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 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 ONE HUNDRED SIXTY (160) acres. No proration unit shall consist of more than ONE HUNDRED SIXTY (160) acres except as hereinafter provided.

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 ONE HUNDRED SIXTY (160) 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.

RULE 3b: The acreage assigned to the 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 ONE HUNDRED SIXTY (160) acres. No proration unit shall consist of more than ONE HUNDRED SIXTY (160) 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 ONE HUNDRED SEVENTY SIX (176) acres may be assigned. Each proration unit containing less than ONE HUNDRED SIXTY (160) acres shall be a fractional proration unit.

For oil and gas wells, an operator shall be permitted to form optional drilling and fractional proration units of EIGHTY (80) acres, with a proportional acreage allowable credit for a well on fractional proration units. There is no maximum diagonal limitation.

Under the following conditions, an operator, at its option, shall be granted an exception to Statewide Rule 38 and permitted to form fractional units of less than EIGHTY (80) acres, but not less than TWENTY (20) acres:

1. The Railroad Commission shall notify in writing the designated operators, lessees of record for tracts that have no designated operator, and all owners of unleased mineral interests (i) within 1,000 feet from the location of a vertical well or (ii) within 1,000 feet of any take point on a horizontal well.
2. Designated operators, lessees of record for tracts that have no designated operator, and all owners of unleased mineral interests 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.
3. 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, lessee of record for 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.
4. 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 unit 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 or confiscation.

5. Permits granted pursuant to the above provision shall be issued as exceptions to Statewide Rule 38.
6. For permits requested on fractional units of less than TWENTY (20) acres, the procedures set forth in 16 Tex. Admin. Code 3.38 (Rule 38) shall apply.

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. 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.

RULE 4a: The maximum daily oil allowable for each well on a ONE HUNDRED SIXTY (160) acre unit in the subject field shall be the MER Allowable of 1030 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:

- a. Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing one hundred sixty acres multiplied by TWENTY FIVE percent (25%) and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well for proration purposes, and the denominator of which is the maximum acreage authorized by these field rules for a vertical well for proration purposes, exclusive of tolerance acreage.
- b. Each well shall be assigned an allowable equal to SEVENTY FIVE percent (75%) of the maximum daily oil allowable above.

RULE 4b: 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:

- a. TWENTY-FIVE percent (25%) 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.

- b. SEVENTY-FIVE percent (75%) 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 4c: Each oil well shall have unlimited net gas-oil ratio authority.

RULE 5: For oil and gas wells, Stacked Lateral Wells within the correlative interval for the field that are drilled from different wellbores may be considered a single well for regulatory purposes, as provided below:

1. A horizontal drainhole well qualifies as a Stacked Lateral Well under the following conditions:
 - a) There are two or more horizontal drainhole wells on the same lease or pooled unit within the correlative interval for the field;
 - b) Horizontal drainholes are drilled from different surface locations;
 - c) Each point of a Stacked Lateral Well's horizontal drainhole shall be no more than 300 feet in a horizontal direction from any point along any other horizontal drainhole of that same Stacked Lateral Well. This distance is measured perpendicular to the orientation of the horizontal drainhole and can be illustrated by the projection of each horizontal drainhole in the Stacked Lateral Well into a common horizontal plane as seen on a location plat. Where one drainhole of a Stacked Lateral is longer than that of another drainhole of the Stacked Lateral, the 300 feet maximum shall be measured between the longer lateral and a projection of the shorter lateral along the same path as the existing lateral; and
 - d) There shall be no maximum or minimum distance limitations between horizontal drainholes of a Stacked Lateral Well in a vertical direction.
2. A Stacked Lateral Well, including all surface locations and horizontal drainholes comprising such Stacked Lateral Well, shall be considered as a single well for density and allowable purposes.
 - a) All points between the first Take Point and the Last Take Point on all drainholes of a Stacked Lateral Well, including all Take Points on any horizontal drainhole that is longer than the Record Well, must fall within a box with a surface area equal to the number of acres to be assigned to the Stacked Lateral Well for allowable purposes. Two

sides of the box will be formed by the two horizontal laterals that are the farthest apart in a horizontal direction, which shall be no greater than the 300 foot requirement in Item 1 above.

- b) For the purpose of assigning additional acreage to the Stacked Lateral Well pursuant to Rule 86, the horizontal drainhole displacement shall be calculated based on the distance from the first take point to the last take point in the horizontal drainhole for the Record Well, regardless of the horizontal drainhole displacement of other horizontal drainholes of the Stacked Lateral Well.
3. Each surface location of a Stacked Lateral Well must be permitted separately and assigned an API number. In permitting a Stacked Lateral Well, the operator shall describe the well as a Stacked Lateral Well in the "Remarks" of the Form W-1 drilling permit application. The operator shall also identify on the plat any other existing, or applied for, horizontal drainholes comprising the Stacked Lateral Well being permitted.
4. To be a regular location, each horizontal drainhole of a Stacked Lateral Well must comply with (i) the field's minimum spacing distance as to any lease, pooled unit or property line, and (ii) the field's minimum between well spacing distance as to any different well, including all horizontal drainholes of any other Stacked Lateral Well, on the same lease or pooled unit in the field. Operators may seek exceptions to Rules 37 and 38 for Stacked Lateral Wells in accordance with the Commission's rules, or any applicable rule for this field.
5. Operators shall file separate completion forms for each surface location of the Stacked Lateral Well. Operators shall also file a certified as-drilled location plat for each surface location of a Stacked Lateral Well showing each horizontal drainhole from that surface location, confirming the well's qualification as a Stacked Lateral Well and showing the maximum distances in a horizontal direction between each horizontal drainhole of the Stacked Lateral Well.
6. Paragraph deleted.
7. In addition to the Record Well, each surface location of a Stacked Lateral Well will be listed on the proration schedule, but no allowable shall be assigned for an individual surface location. Each surface location of a Stacked Lateral Well shall be required to have a separate G-10 or W-10 test and the sum of all horizontal drainhole test rates shall be reported as the test rate for the Record Well.

8. Operators shall report all production from horizontal drainholes included as a Stacked Lateral Well on Form PR to the Record Well. Production reported for a Record Well is the total production from the horizontal drainholes comprising the Stacked Lateral Well. Operators shall measure the production from each surface location of a Stacked Lateral Well. Operators may measure full well stream with the measurement adjusted for the allocation of condensate based on the gas to liquid ratio established by the most recent G-10 well test rate for that surface location. The gas and condensate production will be identified by individual API number and recorded and reported on the "Supplementary Attachment to Form PR."
9. If the field's 100% AOF status should be removed, the Commission's Proration Department shall assign a single gas allowable to each Record Well classified as a gas well. The Commission's Proration Department shall also assign a single oil allowable to each Record Well classified as an oil well. The assigned allowable may be produced from any one or all of the horizontal drainholes comprising the Stacked Lateral Well.
10. Operators shall file an individual Form W-3A Notice of Intention to Plug and Abandon and Form W-3 Well Plugging Report for each horizontal drainhole comprising the Stacked Lateral Well as required by Commission rules.
11. An operator may not file Form P-4 to transfer an individual surface location of a Stacked Lateral Well to another operator. P-4's filed to change the operator will only be accepted for the Record Well if accompanied by a separate P-4 for each surface location of the Stacked Lateral Well.

It is further **ORDERED** that accumulated overproduction of oil and gas for all wells in the field shall be cancelled effective the date of this order.

It is further **ORDERED** that the allocation formula in the Garden City, S. (Wolfcamp) Field shall be suspended. The allocation formula for a field may be reinstated administratively if the market demand for gas for that field drops below 100% of deliverability. If the market demand for gas in a field drops below 100% of deliverability while the allocation formula for that field is suspended, the operator shall immediately notify the Commission and the allocation formula for that field shall be immediately reinstated.

It is further **ORDERED** by the Railroad Commission of Texas that exceptions to Statewide Rule 10 are hereby approved for all wells in the fields listed below:

Garden City, S. (Wolfcamp) Field No. 33998500
Frysak Farms (Devonian) Field No. 33154200
Jailhouse (Fusselman) Field No. 45484200

Deadwood (Fusselman) Field No. 23736500

For wells which are commingled in any combination of the subject fields after the effective date of this order, commingled production shall be assigned to the Garden City, S. (Wolfcamp) Field if a completion is made in that field. Otherwise, the field assignment will be at the operator's discretion.

Further, acreage assigned to wells on any leases for allocation of allowable shall not be assigned to any other well or wells projected to or completed in any of the fields; such duplicate assignment of acreage is not acceptable, provided however, that this limitation shall not prevent the reformation of development or proration units so long as no duplicate assignment of acreage occurs, and further, that such reformation does not violate other conservation regulations.

The operator of any well downhole commingled in any combination of the subject fields shall file the appropriate drilling permit, completion forms, an abbreviated Statewide Rule 10 Data Sheet for Wells Subject to Fieldwide Statewide Rule 10 Exception (See Attachment A) and shall file at the same time, the appropriate Commission required administrative Rule 10 exception downhole commingling fee.

Done this 8th day of July, 2014.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated July 8, 2014)**

STATEWIDE RULE 10 EXCEPTION DATA SHEET

\$375.00 Fee Required
(Statewide Rule 78
effective 05/01/2012)

County _____

RRC District ____

Date _____

(1) Operator Name, Address, RRC ID No., Name & Phone No. of Contact Person

____ Does the applicant request to receive all Commission correspondence concerning the administrative review of this application VIA EMAIL ONLY? If yes, indicate email address _____

(2) API# _____ Lease name & well # _____

(3) Field Information. Indicate the following *for each field*:

- (a) Field name _____
- (b) Field number _____
- (c) Oil or gas _____
- (d) Spacing and density rules _____
- (e) Top allowable _____
- (f) Discovery date _____
- (g) Depth _____
- (h) Hydrogen sulfide status (Statewide Rule 36) _____

(4) Indicate an instance (operator, lease, well no., or docket #) wherein the Commission has granted a Statewide Rule 10 Exception for these same zones (If none, all operators in all of the zones must be notified of this application.) _____

(8) Are the Royalty and Working Interests identical with respect to all proposed combined zones in the well? _____

Filing instructions: File the original and any required attachments and fees with the Railroad Commission by hand delivery or mail to the following address:

RAILROAD COMMISSION OF TEXAS
ATTN: ENGINEERING UNIT
PO BOX 12967
AUSTIN TX 78711-2967