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RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL
OIL AND GAS SECTION

RULE 37 CASE NO. 0219164

APPLICATION OF DEVON ENERGY CORPORATION (NEVADA) FOR EXCEPTIONS TO STATEWIDE RULES 37 & 38 TO DRILL WELL NO. 1258 ON THE BOWERS LEASE, 640 ACRES, TO THE ALLISON PARKS (MORROW, UP.), ALLISON PARKS (GRANITE WASH), WASHITA CREEK (MORROW UPPER) AND WILDCAT FIELDS, HEMPHILL COUNTY, TEXAS

FINAL ORDER

The Commission finds that after statutory notice the captioned proceeding was heard by the examiners who have made and circulated a Proposal for Decision containing Findings of Fact and Conclusions of Law and such 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 Proposal for Decision, the Findings of Fact and Conclusions of Law contained therein, and the exceptions and replies thereto, hereby adopts as its own the Findings of Fact 1, 2, 3, 4, 5, 6 and 8 and the Conclusions of Law contained in the Proposal for Decision, and incorporates said Findings of Fact 1, 2, 3, 4, 5, 6 and 8 and the Conclusions of Law as if fully set out and separately stated herein. The Commission hereby adopts amended Finding of Fact 7 set out below:

FINDINGS OF FACT

7. A second well, drilled at a regular location on the subject tract, is necessary to allow Devon a reasonable opportunity to recover Devon's fair share of recoverable gas underneath Tract 3 in the Allison Parks (Morrow, Up.) Field.
 - a. There are 5,206 MMCF of recoverable gas currently present underneath the subject tract in the Allison Parks (Morrow, Up.) Field.
 - b. Devon's existing well on the subject tract, Well No. 7, will produce additional reserves of 758 MMCF of gas from the Allison Parks (Morrow, Up.) Field.
 - c. Recoverable reserves of 4,448 MMCF that will not be recovered by the existing well currently underlie the subject tract in the Allison Parks (Morrow, Up.) Field.

Therefore, under the authority of TEX. NAT. RES. CODE ANN. §85.202 (1993) and pursuant to Rule 38, it is **ORDERED** by the Railroad Commission that the application of Devon Energy Corporation (Nevada) for a density exception permit under the provisions of Rule 38 to drill Well No. 1258 at a regular location (at least 467 feet from the nearest lease line and 3735 feet from the nearest well on the lease) on Tract 3, Bowers Lease, containing 640 acres of land in the G & M & M B & A survey in Hemphill County, for the Allison Parks (Morrow, Up.) Field, be and is hereby **APPROVED**, subject to the conditions listed below.

It is further **ORDERED** by the Commission that a regular permit is granted to Devon Energy Corporation (Nevada) to drill well No. 1258 on Tract 3 of its Bowers Lease in the G & M & M B & A survey in Hemphill County for the Allison Parks (Granite Wash) and Wildcat Fields, be and is hereby **APPROVED**, subject to the same conditions.

CONDITIONS

1. **Fresh Water Sand Protection.** The operator must set and cement sufficient surface casing to protect all usable-quality water as defined by the Texas Water Commission. Before drilling a well, the operator must obtain a letter from the Texas Water Commission stating the depth to which water needs protection. Write: Texas Water Commission, Surface Casing, P. O. Box 13087, Capitol Station, Austin, Texas 78711-3087. File a copy of the Water Commission letter with the appropriate district office.
2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
3. **Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, AND production casing. The individual giving notification **MUST** be able to advise the district office of the docket number.
4. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.
5. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

6. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.
7. **Notification of Plugging a Dry Hole.** The operator **MUST** call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving notification **MUST** be able to advise the district office of the docket number and all water protection depths for that location as stated in the Water Commission letter.
8. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.
9. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final, unless actual drilling operations have begun. The permit period will not be extended.

IT IS FURTHER ORDERED by the Railroad Commission of Texas that Devon Energy Corporation's application for exceptions to Statewide Rule 38 to drill a well into the Washita Creek (Morrow Upper) Field on Tract 3 of the Bowers Lease be **DISMISSED**.

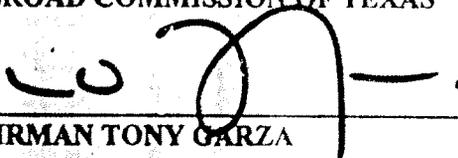
IT IS FURTHER ORDERED THAT by the Railroad Commission of Texas Devon Energy Corporation's alternative application for exceptions to Statewide Rule 38 to drill a well to the Allison Parks (Morrow Upper), Allison Parks (Granite Wash), Washita Creek (Morrow Upper) and Wildcat Fields on 2560 acres of the Bowers Lease be **DISMISSED**.

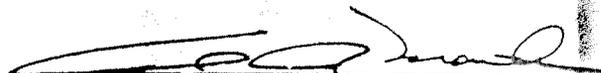
It is further **ORDERED** by the Commission that this order shall not be final and effective until 20 days after it is actually mailed to the parties by the Commission; provided that if a motion for rehearing of the application is filed by any party at interest within such 20-day period, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOVT CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Each exception to the examiner's proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

Done this 13th day of April, 1999.

RAILROAD COMMISSION OF TEXAS


CHAIRMAN TONY GARZA


COMMISSIONER CHARLES R. MATTHEWS


COMMISSIONER MICHAEL L. WILLIAMS

ATTEST

SECRETARY 