

**RAILROAD COMMISSION OF TEXAS  
OFFICE OF GENERAL COUNSEL**

**OIL AND GAS DOCKET  
NO. 10-0253878**

**IN THE MENDOTA, NW (GRANITE  
WASH) FIELD, ROBERTS COUNTY,  
TEXAS**

**FINAL ORDER  
AMENDING FIELD RULES FOR THE  
MENDOTA, NW (GRANITE WASH) FIELD  
ROBERTS COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on December 5, 2007, 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 application of Cimarex Energy Co. of Colorado to amend the field rules for the Mendota, NW (Granite Wash) Field, adopted in Final Order No. 10-71,103, effective January 29, 1979, as amended, is hereby approved.

The field rules for the Mendota, NW (Granite Wash) Field, as amended, are as follows:

**RULE 1:** The entire correlative interval from 9,360 feet to 10,814 feet as shown on the log of the Flowers Trust "A" Well No. 2, API No. 393 30671, Section 82, Block B-1, H & GN RR Co. Survey, Roberts County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Mendota, NW (Granite Wash) Field.

**RULE 2:** No vertical or horizontal well shall hereafter be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any property line, lease line or subdivision line. No vertical well shall be drilled nearer than FOUR HUNDRED SIXTY SEVEN (467) feet to any applied for, permitted or completed horizontal or vertical well in the same reservoir on the same lease, pooled unit or unitized tract. There is no minimum between-well spacing requirement from a horizontal well to any other applied for, permitted or completed horizontal well in the same reservoir on the same lease, pooled unit or unitized tract. 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 therefore shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rule 37 and 38, which applicable provisions of said rule 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.

**RULE 3:** The acreage assigned an individual gas well 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 contain more than ONE HUNDRED SIXTY (160) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each proration unit so that an amount not to exceed a maximum of ONE HUNDRED SEVENTY SIX (176) acres may be assigned. The two farthestmost points of any proration unit shall not be in excess of FOUR THOUSAND FIVE HUNDRED (4,500) feet removed from each other. Each proration unit containing less than ONE HUNDRED SIXTY (160) acres shall be a fractional proration unit.

The acreage assigned to an individual oil well 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. The two farthestmost points in any proration unit shall not be in excess of FOUR THOUSAND FIVE HUNDRED (4,500) feet removed from each other. 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, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission.

An operator, at his option, shall be permitted to form optional drilling and proration units of EIGHTY (80) acres. The two farthestmost points of a EIGHTY (80) acre fractional proration unit shall not be greater than THREE THOUSAND TWO HUNDRED FIFTY (3,250) feet removed from each other.

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:

- (a) The Railroad Commission shall notify in writing the operators and unleased mineral owners of tracts (i) within 660 feet from the bottomhole location of a vertical well or (ii) within 660 feet of any point on a horizontal well within the correlative interval.

- (b) Operators and unleased mineral interest owners 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.
- (c) 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 operator or mineral interest owner to whom notice is required, the application shall be approved administratively by the Railroad Commission.
- (d) 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.
- (e) Permits granted pursuant to the above provision shall be issued as exceptions to Statewide Rule 38.

Operators shall not be required to file Form P-15 or proration unit plats for any well in the field.

**RULE 4:** 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) Each horizontal drainhole is drilled from a different surface location on the same lease or pooled unit;
  - c) There shall be no more than 200 feet between the surface locations of horizontal drainholes qualifying as a Stacked Lateral Well.
  - d) 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; and
  - e) There shall be no maximum or minimum distance limitations between horizontal drainholes of a Stacked Lateral Well in a vertical direction.
2. Each horizontal drainhole drilled as a Stacked Lateral Well must be permitted separately and assigned an API number. A Stacked Lateral Well, including all horizontal drainholes comprising such Stacked Lateral Well, shall be considered as

a single well for density and allowable purposes.

3. In permitting a Stacked Lateral Well, the operator shall identify such well with the designation "SL" in the well's lease name and also 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.

5. For each Stacked Lateral Well, the operator must file Form G-1 or Form W-2 for the Commission's Proration Department to build a fictitious "Record" well for the Stacked Lateral Well. This Record Well will be identified with the words "SL" included in the lease name. This Record Well will be assigned an API number and Gas Well ID or Oil lease number.

6. Operators shall file separate completion forms, including directional surveys, for each horizontal drainhole of the Stacked Lateral Well. Operators shall also file a certified as-drilled location plat for each horizontal drainhole of a Stacked Lateral Well 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.

7. Each horizontal drainhole of a Stacked Lateral Well will be listed on the proration schedule, but no allowable shall be shown for an individual horizontal drainhole. Each horizontal drainhole 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 Stacked Lateral Record Well. Production reported for a Stacked Lateral Record Well is the total production from the horizontal drainholes comprising the Stacked Lateral Well. Operators shall measure the production from each horizontal drainhole 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 well test for a Stacked Lateral Record Well as reported on Form G-10. The gas and condensate production will be identified by individual API Number and recorded and reported on the "Supplementary Attachment to Form PR" adopted per this docket.

9. If the field's 100% AOF status should be removed, the Commission's Proration Department shall assign a single gas allowable to each Stacked Lateral Record Well classified as gas well. The Commission's Proration Department shall also assign a single oil allowable to each Stacked Lateral 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 Form 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 horizontal drainhole 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 horizontal drainhole of the Stacked Lateral Well.

**RULE 5a:** 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 equally among the individual pratable 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 pratable wells producing from this field.

The allocation formula in the Mendota, NW (Granite Wash) Field remains suspended. The allocation formula may be reinstated administratively, in accordance with Commission rules, if the market demand for gas in the Mendota, NW (Granite Wash) Field drops below 100% of deliverability.

**RULE 5b:** The maximum daily oil allowable for each well in the subject field shall be 172 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 its potential based on the most recent well test filed with the Commission multiplied by SEVENTY FIVE (75)%, provided that this value shall not exceed 172 barrels of oil per day multiplied by SEVENTY FIVE (75)%.
- b. Each well shall be assigned an allowable equal to TWENTY FIVE (25)% of the maximum daily oil allowable above.

**RULE 6:** Each oil well in the Mendota, NW (Granite Wash) Field, Roberts County, Texas, is allowed to produce under increased net gas-oil ratio authority with a casinghead gas limit of 1,200 MCFD. It is further ordered the a well's oil allowable shall not be penalized unless the above permitted casinghead gas limit is exceeded.

Done this 18<sup>th</sup> day of December, 2007.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed by  
OGC Unprotected Master Order dated  
December 18, 2007)**