

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 10-0298030**

**IN THE LIPSCOMB (CLEVELAND)
FIELD IN HEMPHILL, LIPSCOMB &
OCHILTREE COUNTIES, TEXAS**

**FINAL ORDER
APPROVING THE APPLICATION OF MEWBOURNE OIL COMPANY
TO AMEND THE PERMANENT FIELD RULES
FOR THE LIPSCOMB (CLEVELAND) FIELD
IN HEMPHILL, LIPSCOMB & OCHILTREE COUNTIES, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on November 10, 2015, 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, **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. 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.
- b. 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.

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:

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

$A=(L \times 0.11488) + 640$ 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 proratable 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 proratable 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.

RULE 5: For any well in the subject field completed with a gas-oil ratio (GOR) of 3,000 cubic feet per barrel and above, the operator may elect to have such well permanently classified as a gas well without the need of further administrative review effective the date of initial completion, provided the initial producing GOR was determined by stabilized well test conducted within 90 days of well completion and in accordance with the GOR determination requirements of Commission procedures as indicated on Forms G-1, G-5 or W-2 as appropriate, and using gas measurement methods as described in the current Commission publication Gas-Oil Ratio Calculation, or methods of at least equal accuracy.

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.

It is further **ORDERED** by the Commission that this order shall not be final and effective until 25 days after the Commission's order is signed, unless the time for filing a motion for rehearing has been extended under Tex. Gov't Code §2001.142, by agreement under Tex. Gov't Code §2001.147, or by written Commission Order issued pursuant to Tex. Gov't Code §2001.146(e). If a timely motion for rehearing of an application is filed by any party at interest, 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. Gov't 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 Commission Order is signed.

Done this 21st day of June, 2016.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Divisions' Unprotested Master
Order dated June 21, 2016)**