

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 8A-0300936**

**IN THE SABLE (SAN ANDRES) FIELD,
YOAKUM COUNTY, TEXAS**

**FINAL ORDER
AMENDING THE FIELD RULES FOR THE SABLE (SAN ANDRES) FIELD
AS ADOPTED BY ORDER NO. 8-41,559, ISSUED EFFECTIVE OCTOBER 13, 1959
FOR THE SABLE (SAN ANDRES) FIELD,
YOAKUM COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on August 2, 2016, 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 submitted by Apache Corporation; McClure Oil Co.; Wishbone Tx Operating Co., LLC; Element Petro Operating II, LLC; Henry Resource LLC; Riley Exploration OPG Co, LLC; Steward Energy II, LLC; ER Operating Company; Monardnock Resources; Custer & Wright Operating, Inc., 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 Special Field Rule No. 4 for the Sable (San Andres) Field, as adopted by Order No. 8-41,559, issued effective October 13, 1959, is hereby rescinded. The remaining field rules for the Sable (San Andres) Field, Yoakum County, Texas, are renumbered and amended as follows:

RULE 1: The entire correlative interval from 4533 feet to 5981 feet, as shown on the log of Arco Oil & Gas Co.'s Fee 123 #1, API 42-501-32167, located in Section 123, Block D, J. H. Gibson Survey, Yoakum County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Sable (San Andres) 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. 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 determines that such exceptions are necessary, either to prevent waste or to prevent the confiscation of property. When exception to these rules is desired, an application 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.

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 drainhole 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 hereinafter be drilled such that the first and last take point are nearer than ONE HUNDRED (100) feet from 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 and including the first and 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 drainhole 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 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.

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 33 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 to the nearest property line, lease line or subdivision line.

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 an 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, upon request, promptly provide copies of any directional surveys to the parties entitled to notice under this section.

All other provisions of Statewide Rule 86 relating to the drilling of horizontal wells apply in this field.

RULE 3: The acreage assigned to an individual oil well for the purpose of allocating allowable production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. There is no maximum diagonal limitation in this field. 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 allowed.

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 FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TWENTY (20) 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

Notwithstanding the above, operators may elect to assign additional acreage, of not more than FORTY (40) acres of unassigned lease acreage, to a well on a FORTY (40) acre unit and shall in such event receive allowable credit for not more than EIGHTY (80) acres.

Furthermore, for purposes of additional acreage assignment to horizontal drainhole wells under Statewide Rule 86 (d)(1), the amount specified by applicable rules for a proration unit for a vertical well shall be the FORTY (40) acres plus FORTY (40) acres optionally assigned as provided in this **Rule 3**.

For the determination of acreage credit in this field, operators shall file for each oil or gas well in this field a Form P-16 Acreage Designation. 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. For oil or gas wells, operators shall be required to file, along with the Form P-16, a plat of the entire lease, unit or property, provided that such plat shall not be required to show individual proration units. However, an operator may at their option file the Form P-16 and individual proration plats at their sole discretion. There is no maximum diagonal limitation in this field.

RULE 4: The maximum daily oil allowable for each oil well on a FORTY (40) acre unit in the subject field shall be the MER Allowable of ONE HUNDRED TWO (102) 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 the maximum acreage authorized exclusive of tolerance acreage multiplied by SEVENTY FIVE percent (75%) and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well and the denominator of which is the maximum acreage authorized for a proration unit exclusive of tolerance acreage.
- b. Each well shall be assigned an allowable equal to TWENTY FIVE percent (25%) of the maximum daily oil allowable above.

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, at an operator's discretion, 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. All take points of a Stacked Lateral Well's horizontal drainholes shall be within a rectangular area, the width of which is SIX HUNDRED SIXTY (660) feet, and the length of which is the distance between the first and last take points of the longest horizontal drainhole of the stacked lateral well;
 - d. There shall be no maximum or minimum distance limitations between horizontal drainholes of a Stacked Lateral Well in a vertical direction; and
 - e. The first horizontal drainhole will be identified as the "Record Well." An operator may change the Record Well designation to another wellbore by filing the appropriate Commission forms.
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. The requirements of Statewide Rule 86(d)(4) shall not apply to stacked lateral wells.
 - b. For the purpose of assigning additional acreage to the Stacked Lateral Well pursuant to Field Rule 3 or Statewide Rule 86 as applicable, 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 identify each surface location of such well as a Stacked Lateral Well on 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. 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.
7. 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.
8. 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.
9. 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.

RULE 6: An oil well will be granted administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 51 (a) exceptions, a six month exception to the provisions of Rule 51 (a) regarding the 10 day rule for filing the potential test after testing of the well. This will allow for the backdating of allowables on the oil wells without requiring a waiver to be secured from all field operators. This rule will grant the Commission the authority to issue an allowable back to the initial completion date for all oil wells in the field to prevent unnecessary shut-ins to alleviate potential overproduction issues related to the completion paperwork filings and producing the oil wells without tubing. If an extension of time is granted under Rule 9, the exception to Statewide Rule 51 (a) under this rule is automatically extended for the additional time.

RULE 7: A flowing oil well will be granted administratively, a six month exception to Statewide Rule 13(b)(4)(A) regarding the requirement of having to be produced through tubing. A revised completion report will be filed once the oil well has been equipped with the required tubing string to reflect the actual completion configuration. This exception would be applicable for new drills, reworks, recompletions, or for new fracture stimulation treatments for any flowing oil well in the field. For good cause shown, which shall include the well flowing at a pressure in excess of 300 psig surface wellhead flowing pressure,

an operator may obtain administratively from the district director, one or more extensions each with a duration of up to six months. If the request for an extension of time is denied, the operator may request a hearing. If a hearing is requested the exception shall remain in effect pending final Commission action on the request for an extension.

It is further **ORDERED** that these rules are temporary and effective until December 06, 2018, (two years from the final order) or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and opportunity for hearing, should the evidence evaluated during review be insufficient to sustain spacing or proration unit rules, these temporary rules, on the Commission's own motion, will be terminated and the field will revert to Statewide spacing and density rules.

Done this 6th day of December, 2016.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by Hearings Division Unprotected
Master Order Dated December 6, 2016)**