

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 08-0308621

**THE APPLICATION OF BLACKBEARD OPERATING, LLC TO CONSIDER ADOPTING
PERMANENT FIELD RULES FOR THE MONAHANS, NORTH (CLEARFORK) FIELD,
WINKLER COUNTY, TEXAS**

FINAL ORDER

The Commission finds that after statutory notice in the above-numbered docket heard on February 14, 2018, the Technical Examiner and Administrative Law Judge (collectively "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 complies 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 following permanent field rules for the Monahans, North (Clearfork) Field, Winkler County, Texas are hereby adopted and are set out in their entirety as follows:

RULE 1: The entire correlative interval from 5,246 feet to 5,988 feet as shown on the Borehole Compensated Sonic Log of the Amoco Production Company, Sealy Smith A Lease, Well No. 51 (API No. 42-495-31209), located in Section 53, Blk A of the G&MMB&A Survey, Winkler County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Monahans, North (Clearfork) Field.

RULE 2: No well for oil shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line, or subdivision line, and no oil well shall be drilled nearer than THREE HUNDRED THIRTY (330) feet from any applied for, permitted, or completed well in the same reservoir on the same lease, pooled unit, or unitized tract. There is no spacing requirement between a vertical and a horizontal well. The aforementioned distances for this 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 in the field. 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 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.

RULE 3: 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 FORTY (40) acres. No proration unit shall consist of more than FORTY (40) acres except as hereinafter provided. 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.

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 less than FORTY (40) acres, then and in such event the remaining unassigned acreage up to and including a total of TEN (10) 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 proration units of TEN (10) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

There is no maximum diagonal limitation in this field.

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 however that such plat shall not be required to show individual proration units. However, an operator may still file individual proration unit plats if they so desire.

RULE 4: The Monahans, North (Clearfork) Field, may be produced under a maximum efficient rate ("MER") allowable of 250 barrels of oil per day and 2,000 MCF per day of casinghead gas limit per well. The actual allowable for an individual well shall be based on the 100% acreage allocation formula.

Pursuant to §2001.144(a)(4)(A), of the Texas Government Code, and by agreement of the Parties in writing or on the record, **the parties have waived right to file a Motion for Rehearing and this Final Order is effective on the date the Master Order relating to the Final Order is signed.**

Done this 24th day of April 2018.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated April 24, 2018)**