

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET No. 8A-0311204: APPLICATION OF JOINT RESOURCES COMPANY (440742) TO AMEND THE FIELD RULES FOR THE CARTER-NEW MEXICO (SAN ANDRES) FIELD, GAINES COUNTY, TEXAS.**

**FINAL ORDER**

The Commission finds that after statutory notice of the application made by Joint Resources Company (Operator No. 440742) in the above-numbered docket heard on June 8, 2018, the presiding 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 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 field rules adopted in Final Order No. 8-38,649, effective September 8, 1958, for the Carter-New Mexico (San Andres) Field in Gaines County, Texas, are hereby amended. The amended field rules are set out in their entirety as follows:

**RULE 1:** The entire correlative interval from 4,910 feet to 5,608 feet as shown on the log of the American Exploration - Granberry No. 3 (API No. 42-165-34397), Gaines County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Carter-New Mexico (San Andres) Field. This interval consists of the entire San Andres Formation.

**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 in either 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.

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 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 shall hereafter be drilled such that the first and last take points are nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.
- c. For each horizontal drainhole well, the distance perpendicular to such horizontal drainhole from any 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 Statewide 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-IH) and plat, the first and last take points must also be identified on the drilling permit application (Remarks Section) 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.

If the applicant has represented in the drilling application that there will be one or more no perf zones or "NPZs" (portions of the wellbore within the field interval without take points), then the as-drilled plat filed after completion of the well shall be certified by a person with knowledge of the facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all pertinent and required data. In addition to the standard required data, the certified plat shall include the as-drilled track of the wellbore, the location of each take point on the wellbore, the boundaries of any wholly or partially unleased tracts within a Rule 37 distance of the wellbore, and

notations of the shortest distance from each wholly or partially unleased tract within a Rule 37 distance of the wellbore to the nearest take point on the wellbore.

Distances for purposes of spacing exceptions shall be measured in the same manner as the spacing requirement such that notice distances from first and last take point shall be measured THREE HUNDRED THIRTY (330) feet perpendicular to the horizontal well and in a ONE HUNDRED (100) foot radius from the first and last take point.

**RULE 3:** The acreage assigned to an individual well 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. Except as provided in these rules, no double assignment of acreage will be accepted.

Notwithstanding the above, operators may elect to assign a tolerance of not more than FORTY (40) acres of additional 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)(l), the amount specified by applicable rules for a proration unit for a vertical well shall be the FORTY (40) acres plus FORTY (40) acres tolerance 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 For oil and gas wells, operators shall be required to file, along with the Form P-16, a plat of the lease, unit or property; provided that such plat shall not be required to show individual proration units. Operators may, however, file such proration unit plats for individual wells in the field if they so choose.

**RULE 4:** Allocation of allowable shall be based 100% on acreage. The maximum daily oil allowable for each oil well on a FORTY (40) acre unit in the subject field shall be the 93 barrels of oil per day. Vertical wells assigned the additional FORTY (40) acres of tolerance acreage, and horizontal wells assigned additional acreage pursuant to Statewide Rule 86 will qualify for proportionate increases in allowable.

**RULE 5:** All wells will be granted administratively, without the necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 16(b) exceptions, an exception to the provisions of Rule 16(b) regarding the deadline for filing initial completion reports. Completion reports in this field are timely filed if filed within 90

days after completion of the well or within 150 days after the date on which the drilling operation is completed, whichever is earlier.

**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.

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 21<sup>st</sup> day of August 2018.

**RAILROAD COMMISSION OF TEXAS**

**(Order approved and signatures affixed  
by Hearings Divisions' Unprotested  
Master Order dated August 21, 2018)**