

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 08-0308425

APPLICATION OF CONOCOPHILLIPS COMPANY TO AMEND FIELD RULES FOR THE FORD, WEST (WOLFCAMP) FIELD, CULBERSON, LOVING AND REEVES COUNTIES, TEXAS

FINAL ORDER NUNC PRO TUNC

This Final Order Nunc Pro Tunc is to clarify Rule 2 in the Final Order for this docketed case approved in the Hearings Division's Unprotected Master Order signed June 5, 2018. The first sentence in Rule 2 in the Final Order unnecessarily contains the word "vertical." In this Final Order Nunc Pro Tunc, the word "vertical" is removed. The Final Order in this case is hereby amended, nunc pro tunc, to read as follows:

The Commission finds that after statutory notice in the above-numbered docket heard on March 23, 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, for the Ford, West (Wolfcamp) Field, Culberson, Loving and Reeves Counties are hereby amended. The amended Field Rules are set out in their entirety as follows:

RULE 1: The entire correlative interval from 8,230 feet to 10,637 feet, as shown on the log of the Devon Energy Production Company, LP – Sebring 60-1-47, Well No. 1 (API No. 42-109-32367), Section 47, Block 60, T-1-S, T&P RR Co Survey, A-2818, Culberson County, shall be designated as a single reservoir for proration purposes and be designated as the Ford, West (Wolfcamp) Field.

RULE 2: No well 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 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, 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 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 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.
- 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.

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 50 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 take 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.

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 (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.

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

RULE 3a: The acreage assigned to the individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) 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 THREE HUNDRED FIFTY TWO (352) acres may be assigned. Each proration unit containing less than THREE HUNDRED TWENTY (320) 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.

Notwithstanding the above, additional acreage may be assigned to a gas well which has been drilled as a horizontal drainhole well, provided that that the following formula is utilized to determine the assignment of additional acreage:

$$A = (L \times 0.15) + 320 \text{ acres}$$

Where:

A = calculated area assignable to a horizontal drainhole for proration purposes; 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 for the field.

An operator, at its option, shall be permitted to form optional gas drilling units of eighty (80) acres plus 10% tolerance. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

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. Operators shall not be required to file plats with the Form P-16. Operators may, however, file such proration unit plats for individual wells in the field if they choose. There is no maximum diagonal limitation in this field.

RULE 3b: 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 THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) 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.

Notwithstanding the above, additional acreage may be assigned to an oil well which has been drilled as a horizontal drainhole well, provided that that the following formula is utilized to determine the assignment of additional acreage:

$$A = (L \times 0.15) + 320 \text{ acres}$$

Where:

A = calculated area assignable to a horizontal drainhole for proration purposes; 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 for the field.

An operator, at its option, shall be permitted to form optional oil drilling and fractional units of EIGHTY (80) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

RULE 4a: The gas field shall be classified as associated-prorated. 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:

SEVENTY FIVE percent (75%) 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.

TWENTY FIVE percent (25%) of the field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

RULE 4b: The maximum daily oil allowable for each well in the subject field shall be the 1965 Yardstick Allowable. 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 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 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 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 SEVEN HUNDRED (700) feet, and the length of which is the distance from the two most distant take points;
 - d. There shall be no maximum or minimum distance limitations between horizontal drainholes of a Stacked Lateral Well in a vertical direction.
 - e. All horizontal drainholes must have the same wellbore classification (i.e., gas or oil).
 - f. 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 (d)(4) shall not apply to stacked lateral wells.
 - b. For the purpose of assigning additional acreage to the Stacked Lateral Well pursuant to Rule 86, 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 in the 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 completion forms for each surface location of a Stacked Lateral Well, the operator must file a separate Form G-1 or Form W-2 for record purposes only 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 Record" included in the lease name. This Record Well will be assigned an API number and Gas Well ID or Oil lease number and listed on the proration schedule with an allowable if applicable.
7. 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.
8. 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. Operators shall measure the production from each surface location 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 G-10 well test rate for that surface location. The gas and condensate production will be identified by individual API number and recorded and reported on the "Supplementary Attachment to Form PR."
9. If the field's 100% AOF status should be removed, the Commission's Proration Department shall assign a single gas allowable to each Record Well classified as a gas well. The Commission's Proration Department shall also assign a single oil allowable to each Record Well classified as an oil well. The assigned allowable may be produced from any one, all, or combination 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 Well 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 surface location of a Stacked Lateral Well to another operator. P-4s 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.

It is further **ORDERED** that the allocation formula in the Ford, West (Wolfcamp) 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 Ford, West (Wolfcamp) Field drops below 100% of deliverability.

It is further **ORDERED** by the Railroad Commission of Texas that all wells completed with a gas-oil ratio of 3,000 cubic feet per barrel and above in the Ford, West (Wolfcamp) Field, Culberson, Loving and Reeves Counties, Texas, are permanently classified as gas wells without the need of further administrative review, effective the date of initial completion.

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 final and effective on the date the Master Order relating to the Final Order is signed.**

Done this 18th day of September 2018.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated September 18, 2018)**