

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL & GAS DOCKET NO. 08-0315102**

**APPLICATION OF OASIS PETROLEUM PERMIAN LLC (617484) FOR AN EXCEPTION TO STATEWIDE RULE 40 FOR THE UL 20 TENSLEEP (49659) LEASE, WELL NO. 1H, PHANTOM (WOLFCAMP) FIELD, WARD COUNTY, TEXAS**

**FINAL ORDER**

The Railroad Commission of Texas ("Commission") finds that notice in the above-numbered docket was provided to all parties entitled to notice. A hearing in the above numbered docket was heard on November 14, 2018, by a Commission Technical Examiner and Administrative Law Judge (collectively, "Examiners"). This proceeding was duly submitted to the Commission at a conference held in its offices in Austin, Texas. After considering the evidence and record in this case, the Commission adopts the following findings of fact and conclusions of law.

**Findings of Fact**

1. Oasis Petroleum Permian, LLC ("Oasis") requests an exception to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) for the University Lands ("UL") 20 Tensleep (49659) Lease, Well No. 1H (API No. 42-475-37120), Phantom (Wolfcamp) Field, Ward County, Texas.
2. Statewide Rule 40 prohibits the "double assignment" of acreage to non-stacked lateral, horizontal wells in the same field.
3. Notice of Oasis' request was provided to all operators of record in the Phantom (Wolfcamp), the Two Georges (Bone Spring) and the Wolfbone (Trend Area) Fields.
4. No protest was received for the Statewide Rule 40 exception requested by Oasis.
5. The correlative interval for the Phantom (Wolfcamp) Field (Field No.71052900) is 9,515 feet to 12,447 feet. The Field consists of the Third Bone Spring formation and the entire Wolfcamp formation.
6. The UL 20 Tensleep (49659) Lease is a 640.7-acre lease comprised of the entire acreage of Section 47, Block 20, Ward and Winkler Counties, Texas. In Section 47, Energen Resources Corporation ("Energen") has mineral interest rights from the surface to 11,886 feet deep and Oasis has mineral interest rights below 11,886 feet. Mineral ownership is owned by University Lands.
7. Oasis has drilled and completed its UL 20 Tensleep Well No. 1H, as a horizontal drainhole well with all take points within the boundary of Section 47. The well is completed in the Wolfcamp formation below a subsurface depth of 11,886 feet. Oasis seeks to assign this well to the Phantom (Wolfcamp) field.

8. The UL 20 Tensleep Lease agreement has a depth severance clause. These clauses, also known as "Pugh Clauses", require the release of depths when not timely developed by a lessee. The Pugh Clause associated with the UL 20 Tensleep Lease agreement, includes all of Section 47, Block 20 and establishes a depth severance for the following operators:
  - Energen owns the mineral rights from the surface to 11,886 feet; and
  - Oasis Petroleum Permian, LLC owns mineral rights below 11,886 feet.
9. Energen operates the following in Section 47:
  - The University 20 (39471) Lease located in Section 47, Block 20, Winkler County, Texas. The University 20 Lease includes Well No. 4701 (API No. 42-475-35473) and Well No. 4702 (API No. 42-475-35508). Both wells are completed in the Bone Spring 3 formation above a subsurface depth of 11,886 feet in accordance with the Pugh Clause associated with the UL 20 Tensleep Lease.
  - University 20 Stripes 38-47 pooled unit is in Sections 38 and 47, Winkler County, Texas. The wells on the UL 20 Stripes 38-47 Lease, includes Well Nos. 601-606, with the well head on Section 38 and the toe (terminus) of the six wells (Nos 601-606) located in Section 47, Block 20, above the 11,886 severance point as required by the Lease. These Energen wells are completed in the Wolfcamp formation in Sections 38 and 47 and are permitted in the Phantom (Wolfcamp) Field.
10. Oasis operates the following in Section 47, Block 20, on the UL 20 Tensleep Lease:
  - The UL 20 Tensleep (49659) Lease includes Well No. 1H (No. 42-475-37120) completed into the Wolfcamp formation and seeks to assign the well to the Phantom (Wolfcamp) Field.
11. The Wolfcamp formation contains a series of stacked "benches" that are the primary targets of horizontal drilling and production in the Phantom (Wolfcamp) Field. Without an exception to Statewide Rule 40, operators who lease the deeper benches in the same Commission designated field cannot obtain permits to drill and produce from these lower benches.
12. The average 10,000-foot (Wolfcamp) horizontal well in the Phantom (Wolfcamp) Field will produce approximately 2 million barrels of oil equivalent. Without an exception to Statewide Rule 40, much of this production may be unrecovered.
13. An exception to Rule 40 is necessary for Oasis to produce its fair share of the hydrocarbons from its leasehold estate.
14. Granting a Rule 40 exception in this Docket is necessary to prevent waste and to protect correlative rights.

15. In the Phantom (Wolfcamp) Field, the Commission has granted a Statewide Rule 40 exception in Final Order Oil and Gas Docket Nos. 08-0311740, 08-0311741, 08-0311742, and 08-0311743.
16. This well is necessary from a geologic standpoint in order to develop hydrocarbons in the Wolfcamp formation. A Statewide Rule 40 exception is necessary for Oasis to drill, complete, and produce the Field below the severance point at 11,886, as established by the UL 20 Tensleep Lease agreement.
17. A Rule 40 exception will allow Oasis to produce hydrocarbons that would otherwise go unproduced and unrecovered.
18. The correlative rights of Energen will also be protected, as Energen may continue to assign the entirety of the acreage in Section 47 to its own well or wells in the Two Georges (Bone Spring), Phantom (Wolfcamp) and other fields.

#### CONCLUSIONS OF LAW

1. Oasis' application for an exception to Statewide Rule 40 for the UL 20 Tensleep Lease (496559), Well No. 1H is necessary to prevent waste and protect correlative rights.
2. The Commission has jurisdiction in this case. *See, e.g.*, 16 Tex. Admin. Code § 81.051.
3. Oasis' application for an exception to Statewide Rule 40 for the UL 20 Tensleep Lease (496559), Well No. 2H is necessary to prevent waste and protect correlative rights.

Therefore, it is **ORDERED** that the UL 20 Tensleep Lease, Well No. 1H (API No. 42-475-37120) is **GRANTED** an exception to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) in the Phantom (Wolfcamp) Field. All acreage from the 640.7 acre lease may be assigned for drilling, development or for allocation of allowables or other purposes to this well, or to any one or more additional wells on the same lease or pooled unit, or to any production sharing unit or allocation well including this lease or unit so long as the well density complies with §3.38 and §3.40 of the Commission's statewide rules and/or special field rules, and any amendments and/or revisions thereof.

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 the right to file a motion for rehearing and the Final Order in this case is final and effective on the date the Master Order relating to the Final Order is signed.**

Signed on June 18, 2019

**RAILROAD COMMISSION OF TEXAS  
(Order approved and signatures affixed  
by Hearings Division's Unprotected  
Master Order dated June 18, 2019)**