

RAILROAD COMMISSION OF TEXAS

OIL & GAS DOCKET NO. 08-0313949

APPLICATION OF OASIS PETROLEUM PERMIAN LLC (617484) FOR AN EXCEPTION TO STATEWIDE RULE 40 FOR THE UL 20 PITCHFORK (50037) LEASE, WELL NO. 2H, PHANTOM (WOLFCAMP) FIELD, WINKLER 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 UL 20 Pitchfork (50037) Lease, Well No. 2H (API No. 42-495-33829), Phantom (Wolfcamp) Field in Winkler 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) Field, the Two Georges (Bone Spring) Field and the Wolfbone (Trend Area) Field.
4. No protest were 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 deep. The Field consists of the 3 Bone Spring formation and the entire Wolfcamp formation. The upper portion of the Wolfcamp formation is referred to as Wolfcamp A and the lower portion is referred to as Wolfcamp B.
6. The UL 20 Pitchfork (50037) Lease is a 961.05-acre production sharing area comprised of all of Section 35 and the southern half of Section 26, Block 20 Winkler County, Texas. In Section 35, Energen Resources Corporation ("Energen") has mineral interest rights from the surface to 11,831 feet deep and Oasis has mineral interest rights below 11,831 feet. In the southern half of Section 26, Oasis has mineral interest rights at all depths. Mineral ownership is owned by University Lands.
7. Oasis has drilled and completed its UL 20 Pitchfork Well No. 2H, as a horizontal drainhole well with a first take point on Section 35 and a last take point on southern half of Section 26. The well is completed in the Wolfcamp formation below a

subsurface depth of 11,831 feet. Oasis seeks to assign this well to the Phantom (Wolfcamp) Field. The well is currently permitted in the Wolfbone (Trend Area) Field, which consist of the entire Wolfcamp formation.

8. Energen operates its University 35-20 Lease which is a 640-acre lease comprised of Section 35, Block 20 Winkler County, Texas.
 - o Energen operates its University 35-20 (43500) Lease Well No. 1H (API No. 42-495-33396) on this lease. This well is completed in the Wolfcamp A formation and is assigned 640 acres in the Two Georges (Bone Spring) Field consisting of the entire Bone Spring formation and the upper portion of the Wolfcamp formation, the Wolfcamp A.
 - o Energen operates its University 35-20 (46430) Lease Well No. 2H (API No. 42-495-33601) on this lease. This Energen well is completed in the upper Wolfcamp formation (Wolfcamp A) and is assigned 640 acres in the Phantom (Wolfcamp) Field.
9. The UL 20 Pitchfork 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 Pitchfork (50037) Lease agreement, includes all of Section 35 and establishes a depth severance for the following operators:
 - o Energen owns the mineral rights from the surface to 11,831 feet on Section 35; and
 - o Oasis owns mineral rights below 11,831 feet on Section 35.
10. In Section 26, Energen does not own leasehold rights. Oasis owns leasehold rights in all depths of Section 26.
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 produces approximately 2 million barrels of oil equivalent. Without an exception to Statewide Rule 40, this production will be unrecovered.
13. An exception to Statewide Rule 40 is necessary for Oasis to produce its fair share of the hydrocarbons from its leasehold estate.
14. Granting a Statewide Rule 40 exception 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. 08-0309365, 08-0311740, 08-0311741, 08-0311742, and 08-0311743.
16. A Statewide Rule 40 exception is necessary for Oasis to drill, complete, and produce the Field below the severance point at 11,831 feet, as established by the UL 20 Pitchfork (50037) Lease agreement.
17. A Statewide Rule 40 exception will allow Oasis to produce hydrocarbons that would otherwise go unproduced and unrecovered.
18. Granting the Statewide Rule 40 exception will protect the correlative rights of Energen.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to appropriate persons entitled to notice. *See, e.g., Tex. Gov't Code* §§ 2001.051, 052; 16 Tex. Admin. Code § 1.42.
2. The Commission has jurisdiction in this case. *See, e.g., 16 Tex. Nat. Res. Code* § 81.051.
3. Oasis' application for an exception to Statewide Rule 40 for the UL 20 Pitchfork Lease, Well No. 2H is necessary to prevent waste and protect correlative rights.

Therefore, it is **ORDERED** that the UL 20 Pitchfork Lease, Well No. 2H (API No. 42-495-33829) is **GRANTED** an exception to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) in the Phantom (Wolfcamp) Field. The 961.05 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 Unprotested
Master Order dated June 18, 2019)