

## RAILROAD COMMISSION OF TEXAS

OIL AND GAS DOCKET NO. 08-0322300

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### APPLICATION OF POINT ENERGY PARTNERS PETRO, LLC (668897) FOR AN EXCEPTION TO STATEWIDE RULE 40 FOR THE POINT RED WHITE AND BLUE LEASE, WELL NOS. 1H AND 2H AND POINT BLUE LEASE, WELL NO. 1H, PHANTOM (WOLFCAMP) FIELD, WARD COUNTY, TEXAS

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#### 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 September 25, 2019, 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. Point Energy Partners Petro, LLC ("Point Energy") requests an exception to 16 Tex. Admin. Code § 3.40 ("Statewide Rule 40") for the Point Red Lease, Well No. 1H (API No. 42-475-37977, Permit No. 855443)<sup>1</sup>, the Point White Lease, Well No. 1H (API No. 42-475-37978, Permit No. 855592)<sup>2</sup>, and the Point Blue Lease, Well No. 1H (API No. 42-475-37982, Permit No. 855640)<sup>3</sup>, Phantom (Wolfcamp) Field (Field No. 71052900), Ward County, Texas.
2. On September 3, 2019 the Hearings Division of the Commission sent a Notice of Hearing ("Notice") setting a hearing date of September 25, 2019. Consequently, the parties received more than 10 days' notice. The Notice contains (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority and jurisdiction under which the hearing is to be held; (3) a reference to the particular sections of the statutes and rules involved; and (4) a short and plain statement of the matters asserted.
3. The hearing was held on September 25, 2019, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.

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<sup>1</sup> The Point Red Lease was originally permitted as the Point Red White and Blue Lease, Well No. 1H. An amended Form W-1 drilling permit application was submitted on October 8, 2019 to amend the name of the lease and extend the proposed wellbore lateral.

<sup>2</sup> The Point White Lease was originally permitted as the Point Red White and Blue Lease, Well No. 2H. An amended Form W-1 drilling permit application was submitted on October 8, 2019 to amend the name of the lease and extend the proposed wellbore lateral.

<sup>3</sup> An amended Form W-1 drilling permit application was submitted on October 8, 2019 for the Point Blue Lease, Well No. 1H to extend the proposed wellbore lateral.

4. The correlative interval adopted for the Phantom (Wolfcamp) Field (Field No.71052900) is 9,515 feet to 12,447 feet as seen on the log of the Petrohawk Operating Company — Oxy Fee "24" Lease, Well No. 1 (API No. 42-389-32637) in Reeves County, Texas.
5. Effective August 1, 2012, Cimarex Energy Co. filed that certain Declaration of Pooled Unit, ("Declaration") for the "Pipes 34-115 Unit," covering the E/2 of Section 115 (assuming the common boundary line between Section 115 and 116 is northern boundary line of Section 115), Block 34, H&TC RR Co. Survey, A-235, Ward County, Texas, containing 323.8 acres, more or less.
6. The Declaration pools the subject acreage only as to the limited subsurface stratigraphic interval, "[f]rom the top of the Bone Spring Formation to 100 feet below the base of the Bone Spring formation." The Declaration defines the "Bone Spring Formation" as the stratigraphic equivalent of 8,301 feet to 11,206 feet indicated on the Platform Express Compensated Neutron Log/Three Detector Litho Density from the Eagle Oil & Gas Wilson Trust 126 1H well (API No. 42-475-35355).
7. Callon Petroleum Operating Company ("Callon") is now the operator of record for two wells on the Pipes 34-115 Unit, being the Pipes 34-115 Unit Lease, Well No. 1H (API No. 42-475-36218) and the Pipes 34-115 Unit Lease, Well No. 2H (API No. 42-475-36243). The Pipes 34-115 Unit wells are completed in the Phantom (Wolfcamp) Field.
8. Effective May 1, 2019, Callon assigned to Point Energy all of Callon's rights, titles, and interests to the SE/4 of Section 115, being approximately 161.9 acres, as to those depths lying "100' below the base of the Bone Springs."
9. Effective September 1, 2019, Mariscal Production V, LP, ("Mariscal") assigned to Point Energy all of Mariscal's rights, titles, and interests to the NE/4 of Section 115 as to all depths below 11,069 feet subsurface.
10. As shown by that certain Memorandum of Oil and Gas Lease dated September 18, 2019, between KMF Land, LLC and Point Energy, Point Energy further acquired additional leasehold rights to the NE/4 of Section 115, being approximately 161.9 acres, as to those depths lying below the stratigraphic equivalent of 11,069 feet subsurface, "said depth being 100 feet below the deepest producing depth in the Cimarex Energy Company's Pipes 34-115 Unit 1H Well (API #42-475-36218) as depicted on its Schlumberger Pathfinder Gyro + MWD Survey."
11. Point Energy acquired its mineral and/or leasehold interest in Section 115 after the Pipes 34-115 Unit Lease, Well Nos. 1H and 2H were drilled and completed in the Phantom (Wolfcamp) Field.
12. Point Energy has permitted the Point Red Lease Well No. 1, Point Blue Lease Well No. 1 and Point White Lease Well No. 1 such that a portion of the horizontal drainhole

for each well is located in the E/2 of Section 115 beneath the depths included the Pipes 34-115 Unit. Further, all horizontal drainhole take points for these permitted wells are located within the depths assigned to Point Energy. Point Energy now seeks to assign these wells to the Phantom (Wolfcamp) Field.

13. Point Energy intends to drill the proposed wells in the Phantom (Wolfcamp) Field and target completion in what it calls the "Wolfcamp A Zone." Based on an average length of lateral in the target zone, with modern completion techniques, each well is expected to produce approximately 817,000 barrels of oil, 1,074,000 Mcf of gas, and 172,000 barrels of natural gas liquids.
14. Point Energy presented evidence regarding the historical and current oil and gas production of nearby horizontal wells in the Wolfcamp formation where it intends to drill and complete its proposed wells. Those wells have produced over 3,789.24 million barrels ("MMb") of oil and 6,002.81 million cubic feet ("MMcf") of gas to date.
15. The entirety of the E/2 of Section 115 is currently assigned to existing wells in the Phantom (Wolfcamp) Field. Callon has assigned all of the available acres to the Pipes 34-115 Unit Well Nos. 1H and 2H by filing a Commission Form P-15.
16. Statewide Rule 40 prohibits the 'double assignment' of acreage to non-stacked lateral, horizontal wells in the same field.
17. If Point Energy is not granted a Rule 40 exception, it would not be able to assign any acreage to its proposed wells traversing the boundaries of the E/2 of Section 115. Without any acreage available to be assigned to the wells, Point Energy would not receive an allowable in the Phantom (Wolfcamp) Field and would not be able to produce the wells.
15. An exception to Rule 40 is necessary for Point Energy to produce its fair share of the hydrocarbons from its leasehold acreage in the E/2 of Section 115 as to the assigned depths.
16. An exception to Rule 40 is necessary to prevent waste of the hydrocarbons in the "Wolfcamp A Zone" of the Phantom (Wolfcamp) Field, which otherwise would go unrecovered.
17. The correlative rights of Callon will also be protected, as Callon may continue to assign the entirety of the acreage in the E/2 of Section 115 to its own well or wells in its depths to the Phantom (Wolfcamp) Field and other shallower fields.

**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. Point Energy's application for an exception to Statewide Rule 40 for the Point Red Lease, Well No. 1H, the Point White Lease, Well No. 1H and the Point Blue Lease, Well No. 1H is necessary to prevent waste and protect correlative rights.

Therefore, it is **ORDERED** that the Point Red Lease, Well No. 1H (API No. 42-475-37977, Permit Status No. 855443), the Point White Lease, Well No. 1H (API No. 42-475-37978, Permit Status No. 855592), and the Point Blue Lease, Well No. 1H (API No. 42-475-37982, Permit Status No. 855640) are **GRANTED** an exception to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) in the Phantom (Wolfcamp) Field. All acreage from the SE/4 of Section 115, being approximately 161.9 acres, and from the NE/4 of Section 115, being approximately 161.9 acres may be assigned for drilling, development or for allocation of allowables or other purposes to these wells, 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 November 19, 2019

**RAILROAD COMMISSION OF TEXAS  
(Order approved and signatures affixed  
by Hearings Division's Unprotested  
Master Order dated November 19, 2019)**