

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 08-0323177

**APPLICATION OF DIAMONDBACK E&P LLC (217012) FOR AN EXCEPTION TO
STATEWIDE RULE 40 FOR THE TORNADO 104-103 UNIT LEASE, HOEFS T-K
(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 October 9, 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.

Finding of Fact

1. Diamondback E&P LLC ("Diamondback") requests an exception to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) for the Tornado 104-103 Unit Lease, Hoefs T-K (Wolfcamp) Field, in Ward County, Texas.
2. Statewide Rule 40 prohibits the "double assignment" of acreage to non-stacked lateral, horizontal wells in the same field.
3. On September 23, 2019 the Hearings Division of the Commission sent an Amended Joint Notice of Hearing ("Notice") to the Applicant and offsetting operators in the field setting a hearing date of October 9, 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. The hearing was held on October 9, 2019, as noticed. Applicant appeared and participated at the hearing. No protest was received.
4. The correlative interval for the Hoefs T-K (Wolfcamp) Field is 7,692 feet to 11,750 feet deep. The Field consists of the Bone Spring formation and the Wolfcamp formation.
5. The Tornado 104-103 Unit is comprised of the west half of Section 104 and the west half of Section 103, Block 34, Ward County, Texas.

6. As shown by the Paid-Up Oil and Gas Lease dated April 7, 2017 between Bandera Minerals III, L.L.C. and Energen Resources Corporation, Energen acquires leasehold rights to Block 34, H&TC RR Co. Survey, Section 104: W/4 Limited to depths below 11,257 feet subsurface in the County of Ward, State of Texas, containing 163.00 gross acres.
7. As shown by the Paid Up Oil and Gas Lease dated May 16, 2017, between Bettie G. Taylor Living Trust dated 8/15/2000 and MCM Exploration Company, LLC, MCM Exploration acquires leasehold 100' below the deepest depth drilled in the Brazos 34-104 #1H well (API#42-475-36852) in N/4 a/d/a NE/4 Section 104, Block 34, H&TC RR Co. Survey, Abstract 1201, Ward County, Texas.
8. The ownership within the Hoefs T-K (Wolfcamp) field interval is different above and below a depth of 11,327 feet in Section 104 of the Tornado 104-103 Unit.
 - a. In Section 104, Callon Petroleum Operating Co. ("Callon") has mineral interest rights to a depth of 11,327 feet and Diamondback has mineral interest rights below 11,327 feet.
 - b. In Section 103, Diamondback has mineral interest rights in all depths.
 - c. The pooled unit for Tornado 104-103 will exclude depths above 11,327 feet as to Section 104 only.
8. Diamondback is planning on drilling several wells on its leasehold on the west halves of Sections 104 and 103. The wells will be completed in the Wolfcamp formation below the depth severance on Section 104. Diamondback seeks to assign acreage to these well and future wells in the Hoefs T-K (Wolfcamp) Field.
10. Callon operates its 34-104 Unit No. 1H Well. This well is completed in the Bones Springs formation and the Upper Wolfcamp. The well is assigned 20 acres in the Phantom (Wolfcamp) Field. Diamondback operates its Colt 43-103 Lease, Well Nos. 4H and 1. These wells are completed in the Bone Springs Formation and are assigned 252.9 acres (1H) and 181.1 (4H) acres in the Two Georges (Bone Spring) Field.
10. 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.
11. The average horizontal well in the Wolfcamp produces approximately 611 thousand barrels of oil equivalent. Without an exception to Statewide Rule 40, this production will be unrecovered for the future wells.
12. An exception to Statewide Rule 40 is necessary for Diamondback to produce its fair share of the hydrocarbons from its leasehold estate.

13. Granting a Statewide Rule 40 exception is necessary to prevent waste and to protect correlative rights.
14. A Statewide Rule 40 exception is necessary for Diamondback to drill, complete, and produce the Field below the severance point at 11,327 feet as indicated in its Lease agreements.
15. A Statewide Rule 40 exception will allow Diamondback to produce hydrocarbons that would otherwise go unproduced and unrecovered.
16. Granting the Statewide Rule 40 exception will protect the correlative rights of Callon.

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. Diamondback's application for an exception to Statewide Rule 40 for Tornado 104-103 Unit Lease and future wells is necessary to prevent waste and protect correlative rights.

Therefore, it is **ORDERED** that the Tornado 104-103 Unit Lease and future wells are **GRANTED** an exception to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) in the Hoefs T-K (Wolfcamp) Field, as shown on Attachment A to the Final Order. The entirety of the west half of Section 104 and the west half of Section 103 may be assigned for drilling, development or for allocation of allowables or other purposes to any one or more 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 below the depth severance 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.

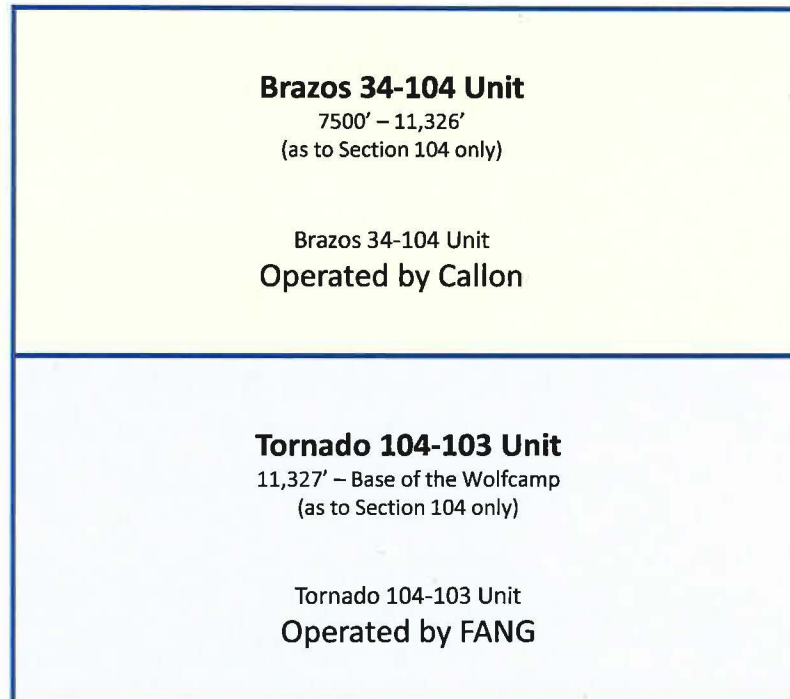
Pursuant to § 2001.144(a)(4)(A), of the Texas Government Code, and by agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and the Final Order in this case is final and effective on the date the Master Order relating to the Final Order is signed.**

Signed on March 4, 2020

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated March 4, 2020)**

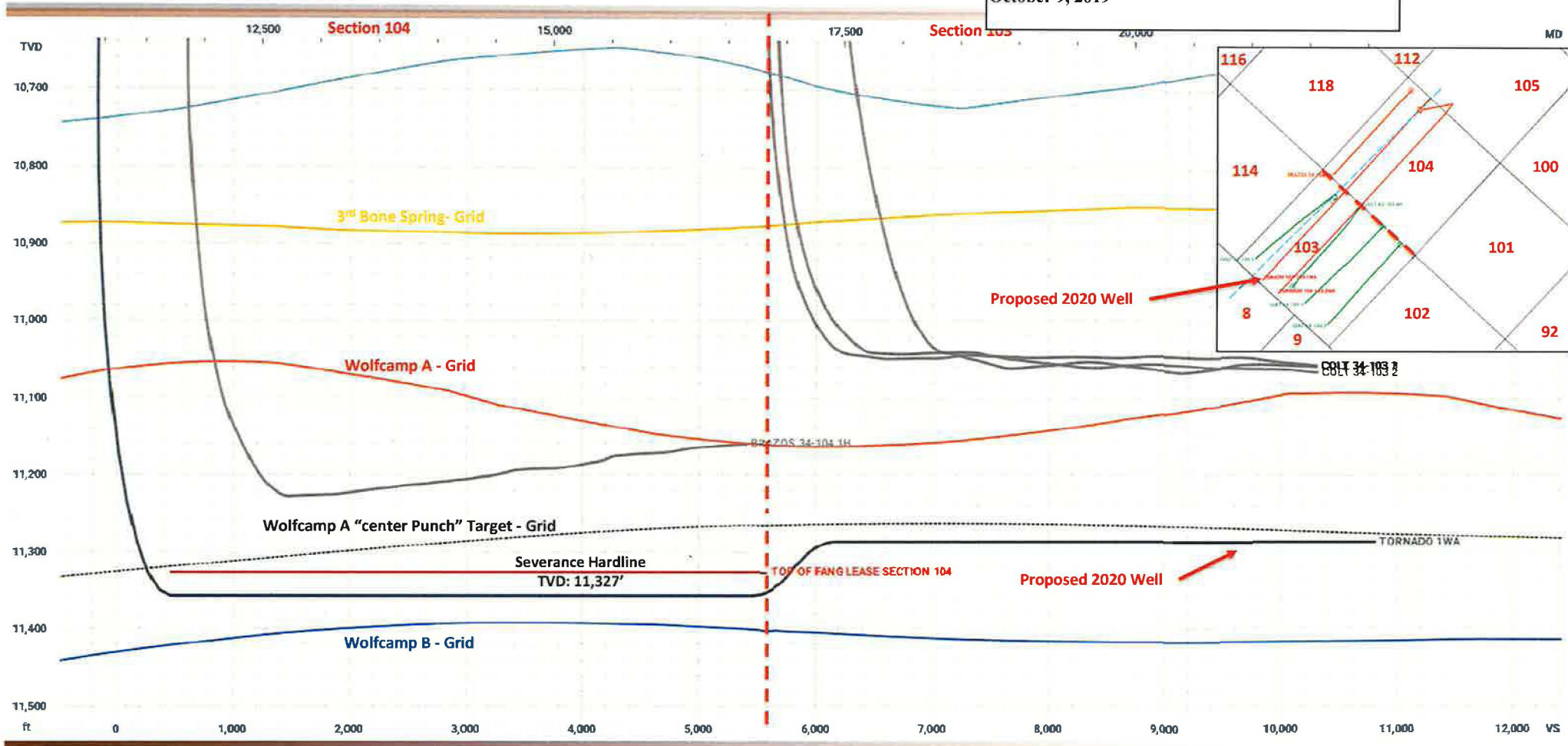
Surface



Center of the Earth

SWR 40 Hearing – Tornado

Diamondback Exhibit No. _15_
Oil & Gas Docket No. 08-0323177
October 9, 2019



DIAMONDBACK
Energy