

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

OIL & GAS DOCKET NO. 08-0323001

**APPLICATION OF DIAMONDBACK E&P LLC (217012) FOR AN EXCEPTION TO
STATEWIDE RULE 40 FOR BLACK STONE 11-2A LEASE, WELL NO 1BS AND THE
BLACK STONE 11-2 B LEASE, WELL NO. 2WA, HOEFS T-K (WOLFCAMP) FIELD,
PECOS 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.

Findings of Facts

1. Diamondback E&P LLC ("Diamondback") requests an exception to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) for the Black Stone 11-2 A Lease, Well No. 1BS (Drilling Permit No. 848902) and the Black Stone 11-2 B Lease, Well No. 2WA (Drilling Permit No. 848927), Hoefs T-K (Wolfcamp) Field ("Field") in Pecos 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 Black Stone 11-2 A Lease, Well No. 1BS and the Black Stone 11-2 B Lease, Well No. 2WA is comprised of Sections 11 and 2, Block 49, Pecos County, Texas. In Section 2, there are three depth severances in the Field.
6. Diamondback has drilled and is planning on drilling several wells on its leasehold on Sections 2 and 11. The wells will be completed in the Wolfcamp formation below the depth severances. Diamondback seeks to assign acreage to these wells and future wells in the Hoefs T-K (Wolfcamp) Field.
7. As shown by the Memorandum of Oil and Gas Lease, dated December 29, 2010, between Black Stone Minerals Company, L.P. and Tyner Land Solutions, LLC for Tracts 1 through 8 encompassing 2,883.65 acres.
8. As shown by the Memorandum of Oil and Gas Lease, dated July 1, 2016, between Black Stone Minerals Company, L.P. and Brigham Resources Operating, LLC, for 2884.395 acres with the leased interval for Tracts 1 through 8 as "depths from the top of the Bone Spring Formation to the top of the Wolfcamp Formation being more specifically described as the stratigraphic equivalent of the correlative depths from 8,050 feet down to 10,202 feet (measure depth) as they appear on the Array Induction log of the Pure Resources Buechy State #28-1 Well (API#42-371-37152) located in Block 49, Township 8, Section 28, A-8469 of Pecos County, Texas."
9. As shown by the Memorandum of Oil and Gas Lease between Black Stone Minerals Company, L.P. and Brigham Resources Operating, LLC, for 2,884.395 acres with the leased interval for Tracts 1 through 8 as "depths from the top of the Wolfcamp Formation to the bottom of the Wolfcamp Formation being more specifically described as the stratigraphic equivalent of the correlative depths from 10,202 feet down to 16,384 feet (measure depth) as they appear on the Array Induction log of the Pure Resources Buechy State #28-1 Well (API#42-371-37152) located in the Block 49, Township 8, Section 28, A-8469 of Pecos County, Texas."
10. Diamondback's Lease agreements have depth severances that have created three ownership intervals within the Hoefs T-K (Wolfcamp) Field on Section 2.
 - a. The first depth severance within the Hoefs T-K (Wolfcamp) Field is at the Top of the Wolfcamp. The Black Stone 11-2 A 1BS Well is located in the Hoefs T-K (Wolfcamp) Field interval above the Top of the Wolfcamp. Diamondback expects to drill additional wells in this interval.
 - b. The second depth severance is at 10,684 feet. There are no current wells in the interval between the Top of the Wolfcamp and 10,684 feet, but Diamondback expects to drill future wells in this interval.
 - c. The Black Stone 11-2 B 2WA Well is located in the interval between 10,684 feet and the base of the Hoefs T-K (Wolfcamp) Field interval. Diamondback expects to drill future wells in this interval.

11. The Wolfcamp formation contains a series of stacked "benches" that are the primary targets of horizontal drilling and production in the 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 Wolfcamp horizontal well produces approximately 611 thousand barrels of oil equivalent. Without an exception to Statewide Rule 40, this production will be unrecovered for the future wells.
13. An exception to Statewide Rule 40 for all three intervals is necessary for Diamondback to produce its fair share of the hydrocarbons from its leasehold estate.
14. Granting a Statewide Rule 40 exception for all three intervals exception is necessary to prevent waste and to protect correlative rights.
15. A Statewide Rule 40 exception for all three intervals is necessary for Diamondback to drill, complete, and produce the Field in all of the depth severances.
16. A Statewide Rule 40 exception for all three intervals will allow Diamondback to produce hydrocarbons that would otherwise go unproduced and unrecovered.
17. Granting the Statewide Rule 40 exception for all three intervals will protect correlative rights.

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 the three intervals in Section 2, Block 49, Pecos, County Texas(1. Top of the Bone Spring to the Top of the Wolfcamp, 2. Top of the Wolfcamp to 10,684 feet, and 3. 10,684 feet to the base of the Wolfcamp) for current and future wells is necessary to prevent waste and protect correlative rights.

Therefore, it is **ORDERED** that the approximately 640 acres in Section 2, Block 49 in Pecos County, Texas are **GRANTED** exceptions to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) in the Hoefs T-K (Wolfcamp) Field for the following intervals: 1. Top of the Bone Spring to the Top of the Wolfcamp, 2. Top of the Wolfcamp to 10,684 feet, and 3.

10,684 feet to the base of the Wolfcamp, as shown in Attachment A of the Final Order. The entirety of the acreage in Section 2 may be assigned for drilling, development or for allocation of allowables or other purposes to the existing 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 for each of the three intervals 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, 2019

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated March 4, 2019)**



Black Stone 11-2 A 1BS



Black Stone 11-2 B 2WA

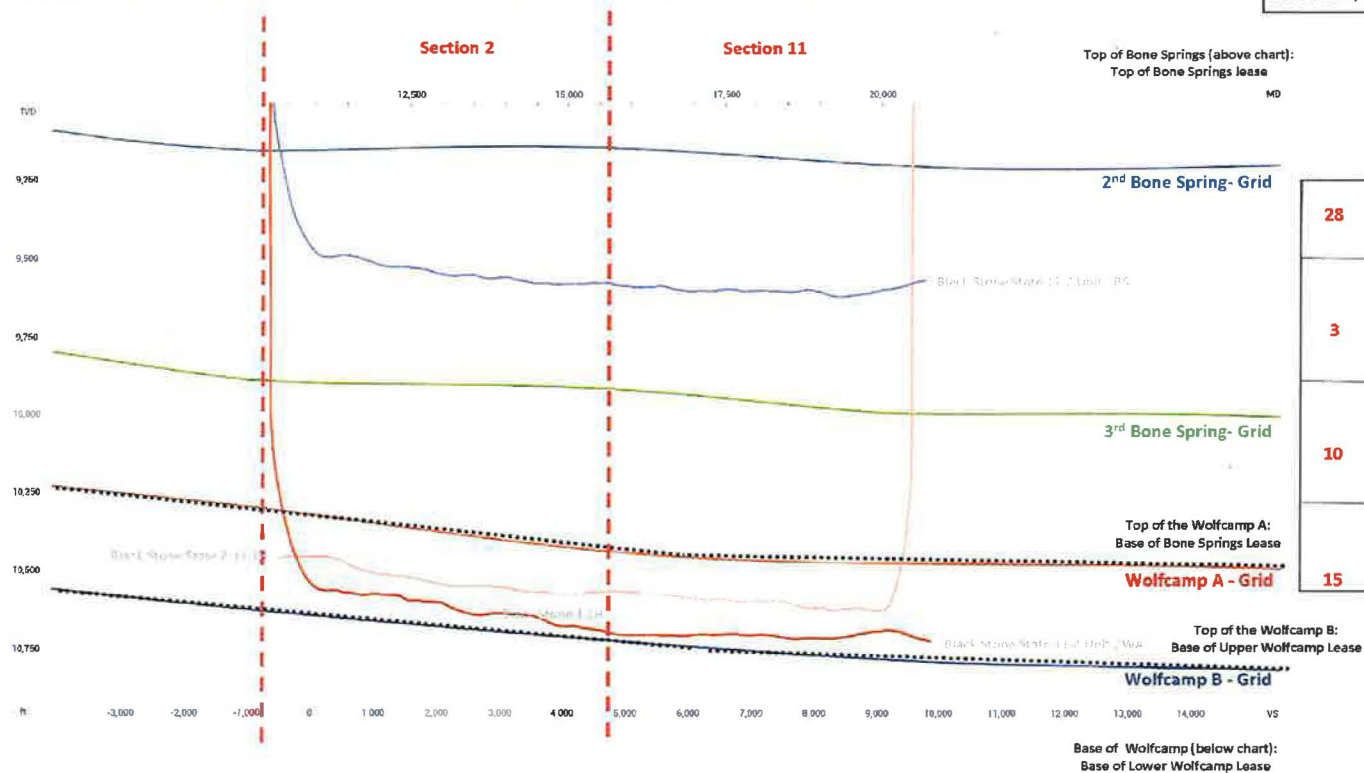
Center of the Earth

Diamondback Exhibit No. 7
Oil & Gas Docket No. 08-0323001
October 9, 2019

Blackstone 2-11

Diamondback Exhibit No. 19

Oil & Gas Docket No. 08-0323001
October 9, 2019



28	29	30	25
3	2	1	6
10	11	12	7
15	14	13	18

Black Stone State 11-2 Unit 210A
Black Stone State 11-2 Unit A 18S

Stewart 101 - Type Log

Black Stone State 2-11 1H