

RAILROAD COMMISSION OF TEXAS

OIL & GAS DOCKET NO. 7C-0324487

APPLICATION OF APACHE CORPORATION (027200) FOR AN EXCEPTION TO STATEWIDE RULE 40 FOR SECTION 37 AND SECTION 48 IN BLOCK 39, T5S, T & P RR CO., SPRABERRY (TREND AREA) FIELD, UPTON COUNTY, TEXAS

FINAL ORDER

The Railroad Commission of Texas ("Commission") finds that after notice in the above-docketed case was provided to all parties entitled to notice, a hearing was heard on February 5, 2020, by a Commission Technical Examiner and Administrative Law Judge. This proceeding was duly submitted to the Commission at a conference held in its offices in Austin, Texas. After considering this matter, the Commission adopts the following findings of fact and conclusions of law.

Findings of Facts

1. Apache Corporation ("Apache") requests an exception to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) in Sections 37 and 48 in Block 39, T5S, Spraberry (Trend Area) Field ("Field") in Upton County, Texas.
2. Statewide Rule 40 prohibits the double assignment of acreage to non-stacked horizontal wells designated in the same field.
3. Notice of Apache's request for exceptions to Statewide Rule 40 in the Field was provided to offset operators.
4. No protests were received for the Statewide Rule 40 exceptions requested by Apache.
5. The correlative interval for the Field is 6,865 feet to 10,605 feet deep, as defined in the type log of Pioneer Natural Resources USA, Inc. – Houpt Lease, Well No. 1, API 42-329-31029. The Field consists of all the reservoirs between the top of the Clearfork and the top of the Strawn formations, including the Dean formation.
6. Sections 37 and 48 in the Field in Upton County, Texas total approximately 1,280 acres.
7. In the north half of the northeast quarter of Section 37 (Tract 1), there are four depth severances of mineral ownership. The severances are from the surface to the base of the Dean formation, surface to 100 feet below the base of the Dean formation, surface to 9,130 feet and 100 feet below the base of the Dean formation and below.

8. In the south half of the northeast quarter of Section 37 (Tract 2), there are five depth severances. The severances are from surface to base of the Dean formation, surface to 100 feet below the Dean formation, surface to 9,130 feet, base of the Dean formation to the top of the Strawn formation, and 100' below the Dean formation and below.
9. The west half of the southeast quarter of Section 37 (Tract 3) has six depth severances. The severances are from surface to the base of the Dean formation, surface to 100 feet below the base of the Dean formation, surface to 9,120 feet, surface to 9,130 feet, base of the Dean formation to the top of the Strawn, and 100 feet below the base of the Dean formation and below.
10. The east half of the southeast quarter of Section 37 (Tract 4) has five depth severances. The severances are from the surface to the base of the Dean formation, surface to 100 feet below the base of the Dean formation, surface to 9,120 feet, surface to 9,130 feet, and 100 feet below the base of the Dean formation and below.
11. The west half of the east half of Section 48 (Tract 5) has six depth severances. The severances are from the surface to 9,100 feet, surface to 9,131 feet, surface to 9,141 feet, all depths below 9,000 feet, 9,134 feet and below, and 9,140 feet and below.
12. The east half of the east half of Section 48 (Tract 6) has six depth severances. The severances are from the surface to 9,100 feet, surface to 9,131 feet, surface to 9,141 feet, all depths below 9,000 feet, 9,134 feet and below, and 9,140 feet and below.
13. The depth severances on Tract 1 through Tract 6 were created by Pugh clauses or assignments of lease interest.
14. Apache has drilled several horizontal wells that traverse Tracts 1 through Tract 6. These wells have exhausted the acreage assignment in both the Spraberry (Trend Area) Field and Spraberry (Tend Area) R 40 Exc Field.
15. Within the Commission designated correlative interval, the Field has several formations that contain a series of productive stacked benches that are the primary targets of horizontal drilling and production. Apache requires Statewide Rule 40 exceptions for all of the depths described in Tract 1 through Tract 6 to obtain permits to drill and produce from untapped benches of hydrocarbons in the Field. Without the exceptions to Statewide Rule 40, the hydrocarbons in currently untapped benches in the Field may be unrecovered.

16. The average one-mile lateral horizontal well in the Spraberry (Trend Area) Field produces approximately 300 thousand barrels of oil equivalent.
17. Granting Statewide Rule 40 exceptions on Tract 1 through Tract 6 are necessary to prevent waste and serve to protect the correlative rights of Apache and offset operators.
18. Apache agreed in the hearing that the Final Order in this case is to be final and effective when a Master Order relating to this Final order is signed.

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. Apache's application for multiple exceptions, up to six per tract, to Statewide Rule 40 for all of the depth severances and tracts in its Kashmir East Development as described in Attachment A, Attachment B, and Attachment C, attached hereto, for Sections 37 and 48 in Block 39, T5S, Spraberry (Trend Area) Field in Upton County, Texas, is necessary to prevent waste and protect correlative rights.
4. This Final Order is final and effective on the date a Master Order relating to this Final Order is signed. *Tex. Gov't Code* § 2001.144(a)(4)(A).

Therefore, it is **ORDERED** that Section 37 and 48 in Block 39, T5S, in Upton County, Texas is **GRANTED** exceptions to Statewide Rule 40 (16 Tex. Admin. Code § 3.40) in the Spraberry (Trend Area) Field for up to six exceptions per tract in the Kashmir East Development as shown on Attachment A - Depth Severance by Tract, Attachment B – Cross-Section showing Ownership by Depth, and Attachment C – Three-Dimensional diagram. The acreage and depths in the Kashmir East Development as depicted in these attachments may be assigned for drilling, development or for allocation of allowables or other purposes to this well, or to anyone 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.

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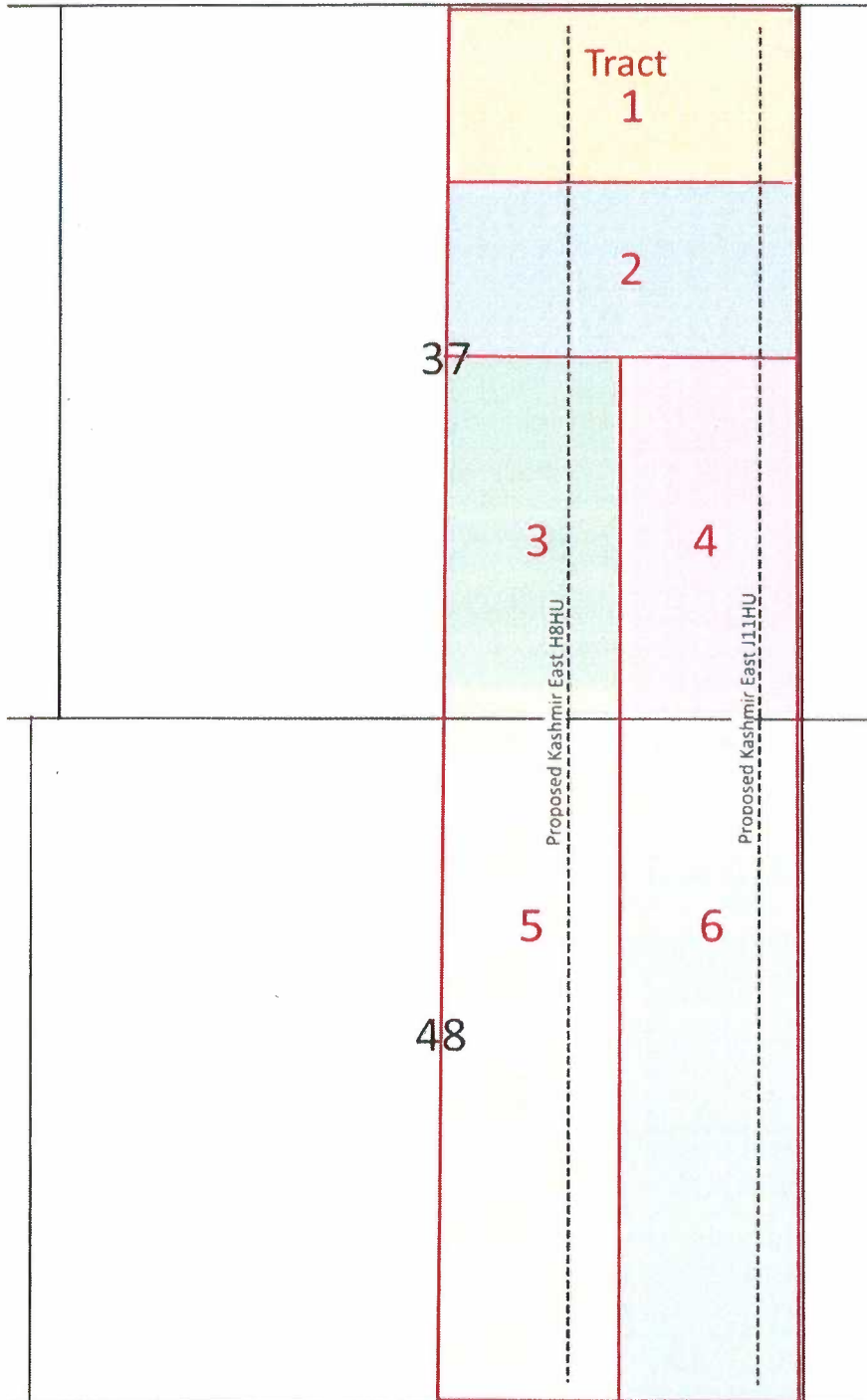
Pursuant to § 2001.144(a)(4)(A) of the Texas Government Code, and by agreement of the parties in writing or on the record, **the parties have waived the right to file a motion for rehearing and the Final Order in this case is final and effective on the date the Master Order relating to the Final Order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

Signed on March 4, 2020.

RAILROAD COMMISSION OF TEXAS

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

Apache Corporation Kashmir East Development Depth Severances by Tract



Tract 1
Surface-B/Spraberry Dean fm
Surface-100' below B/Dean
Surface-9130'
100' below B/Dean and below

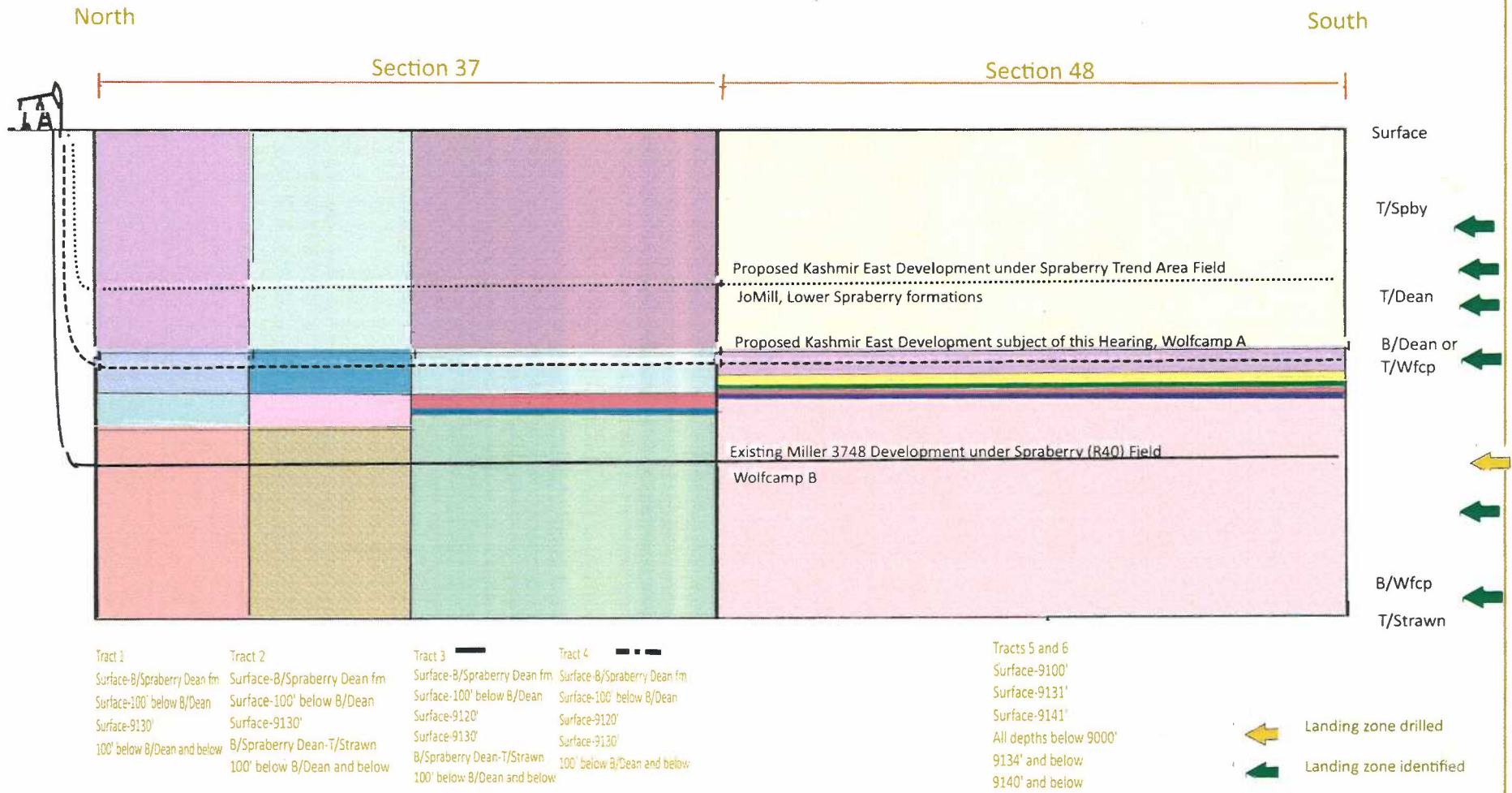
Tract 2
Surface-B/Spraberry Dean fm
Surface-100' below B/Dean
Surface-9130'
B/Spraberry Dean-T/Strawn
100' below B/Dean and below

Tract 3
Surface-B/Spraberry Dean fm
Surface-100' below B/Dean
Surface-9120'
Surface-9130'
B/Spraberry Dean-T/Strawn
100' below B/Dean and below

Tract 4
Surface-B/Spraberry Dean fm
Surface-100' below B/Dean
Surface-9120'
Surface-9130'
100' below B/Dean and below

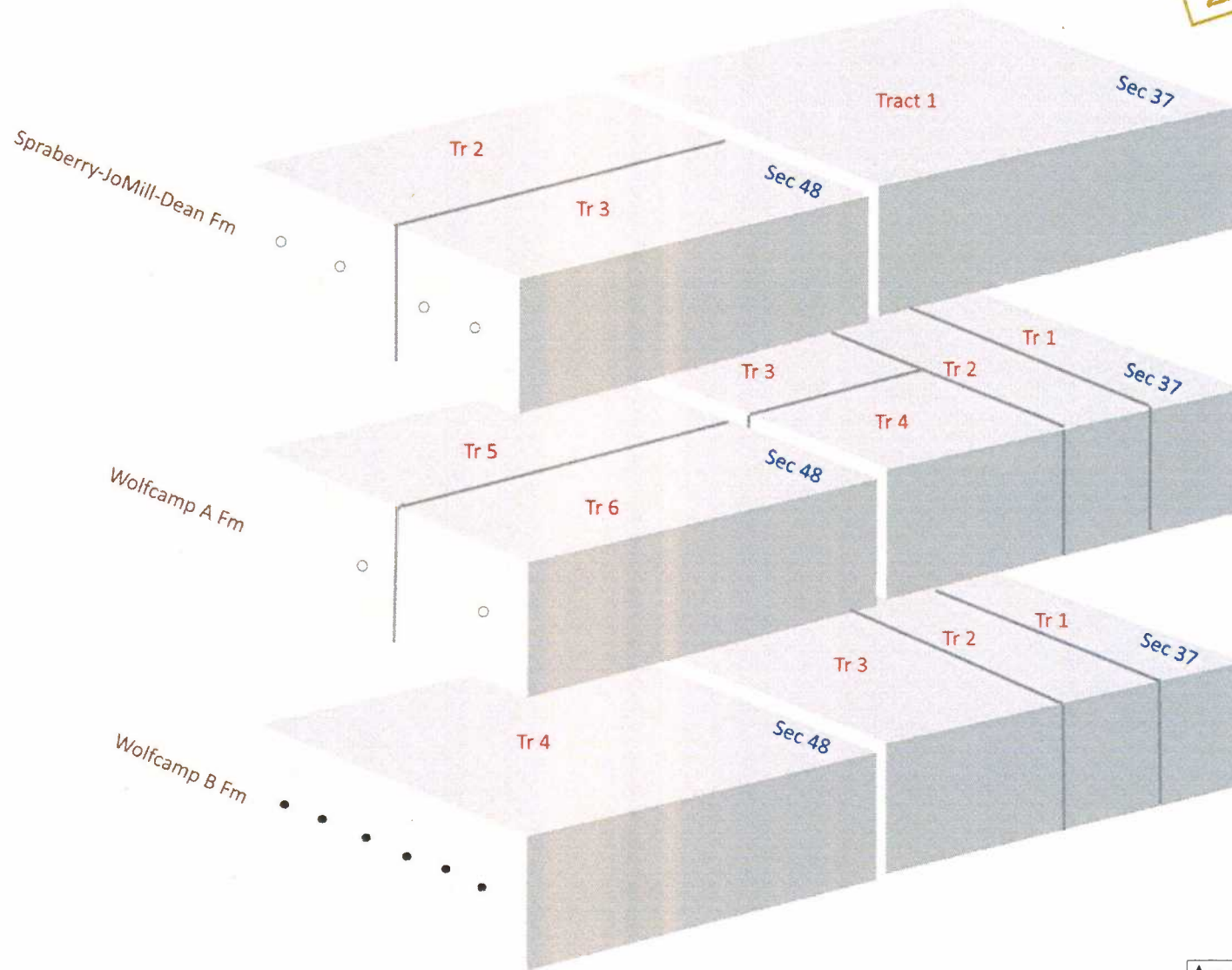
Tracts 5 and 6
Surface-9100'
Surface-9131'
Surface-9141'
All depths below 9000'
9134' and below
9140' and below

Apache Corporation Kashmir East Development Cross-Section showing Ownership by Depth



Apache Corporation
Kashmir East Development
Three-Dimensional Diagram

Attachment C to Final Order
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Kashmir East Proposed
Development under
Spraberry (Trend Area)
Field

Kashmir East Proposed
Development, subject of
this proceeding

Miller 3748 Development
completed under Rule 40
exception field rules