

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DOCKET NO. 08-0319130

APPLICATION OF SHELL WESTERN E&P (774719) TO CONSIDER AMENDING FIELD RULES FOR THE PHANTOM (WOLFCAMP) FIELD, OR IN THE ALTERNATIVE, FOR AN EXCEPTION TO STATEWIDE RULE 13 FOR VARIOUS WELLS, PHANTOM (WOLFCAMP) FIELD, CULBERSON, LOVING, PECOS, REEVES, STERLING, WARD AND WINKLER COUNTIES, TEXAS

FINAL ORDER

The Commission finds that after statutory notice of the application made by Shell Western E&P (Operator No. 774719), in the above-numbered docket heard on July 23, 2019, the presiding Technical Examiner and Administrative Law Judge (collectively, "Examiners"), have made and filed a report and recommendation containing findings of fact and conclusions of law, for which service was not required; that the proposed application is in compliance with all statutory requirements; and that this proceeding was duly submitted to the Railroad Commission of Texas at conference held in its offices in Austin, Texas.

The Commission, after review and due consideration of the Examiners' report and recommendation, the findings of fact and conclusions of law contained therein, hereby adopts as its own the findings of fact and conclusions of law contained therein, and incorporates said findings of fact and conclusions of law as if fully set out and separately stated herein.

Therefore, it is **ORDERED** by the Railroad Commission of Texas that the field rules for the Phantom (Wolfcamp) Field (No. 71052900) in Culberson, Loving, Pecos, Reeves, Sterling, Ward and Winkler Counties, Texas, adopted on November 20, 2007, in the Final Order for Oil & Gas Docket No. 08-0253661, as amended most recently on October 16, 2018 in Oil & Gas Docket No. 08-0310856, are hereby amended and set out in their entirety as follows:

RULE 1: The entire correlative interval from 9,515 feet to 12,447 feet as shown on the log of the Petrohawk Operating Company - Oxy Fee "24" Lease, Well No. 1 (API No. 42-389-32637), Section 24, Block C18, PSL Survey, A-2150, Reeves County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Phantom (Wolfcamp) Field.

RULE 2: No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED AND THIRTY (330) feet to any property line, lease line, or subdivision line. There is no minimum between well spacing requirement. The aforementioned distances in the above rule are minimum distances to allow an operator flexibility in locating a well; and the above spacing rule and the other rules to follow are for the purpose of permitting only one well to each drilling and proration unit. Provided however, that the Commission will grant exceptions to permit drilling within shorter distances and drilling more wells than herein prescribed, whenever the Commission shall have determined that such exceptions are necessary either to prevent waste or to prevent the confiscation of property. When

exception to these rules is desired, application therefor shall be filed and will be acted upon in accordance with the provisions of Commission Statewide Rules 37 and 38, which applicable provisions of said rules are incorporated herein by reference.

In applying this rule, the general order of the Commission with relation to the subdivision of property shall be observed.

Provided, however, that for purposes of spacing for horizontal wells, the following shall apply:

- a. No horizontal drainhole well for oil or gas shall hereafter be drilled such that the first and last take points are nearer than ONE HUNDRED (100) feet to any property line, lease line or subdivision line.
- b. For each horizontal drainhole well, the perpendicular distance from any take point on such horizontal drainhole between the first take point and the last take point to any point on any property line, lease line, or subdivision line shall be a minimum of THREE HUNDRED AND THIRTY (330) feet.

RULE 3a: The acreage assigned to the individual vertical gas well shall be known as a proration unit. The standard drilling and proration units are established hereby to be THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) acres; provided that, tolerance acreage of ten (10) percent shall be allowed for each standard proration unit so that an amount not to exceed a maximum of THREE HUNDRED FIFTY TWO (352) acres may be assigned. Each proration unit containing less than THREE HUNDRED TWENTY (320) acres shall be a fractional proration unit. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of gas.

RULE 3b: The acreage assigned to the individual vertical oil well for the purpose of allocating allowable oil production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be THREE HUNDRED TWENTY (320) acres. No proration unit shall consist of more than THREE HUNDRED TWENTY (320) acres except as hereinafter provided. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered to be productive of oil.

If after the drilling of the last oil well on any lease and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains an additional unassigned acreage of less than THREE HUNDRED TWENTY (320) acres, then and in such event the remaining unassigned acreage up to and including a total of FORTY (40) acres may be assigned as tolerance acreage to the last well drilled on such lease or may be distributed among any group of wells located thereon, so long as the proration units resulting from the inclusion of such additional acreage meet the limitations prescribed by the Commission.

RULE 3c: The acreage assignable to the individual horizontal oil or gas well shall be determined by the following table:

Horizontal Drainhole Length	Maximum Proration Unit Size
0 - 1,500	320
1,501 - 3,000	480
3,001 - 4,500	640
> 4,500	704

RULE 3d: An operator, at his option, shall be permitted to form optional drilling and fractional proration units of TWENTY (20) acres, with a proportional acreage allowable credit for a well on fractional proration units.

RULE 4: The gas field shall be classified as associated-prorated. The daily allowable production of gas from individual wells completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for wells which are incapable of producing their gas allowables, among the individual wells in the following manner:

FIVE percent (5%) of the field's total allowable shall be allocated among the individual wells in the proportion that the acreage assigned such well for allowable purposes bears to the summation of the acreage with respect to all prorable wells producing from this field.

NINETY FIVE percent (95%) of the total field allowable shall be allocated among the individual wells in the proportion that the deliverability of such well, as evidenced by the most recent G-10 test filed with the Railroad Commission bears to the summation of the deliverability of all prorable wells producing from this field.

RULE 5: For any well in the Phantom (Wolfcamp) Field completed with a gas-oil ratio (GOR) of 3,000 cubic feet per barrel and above, the operator may elect to have such well permanently classified as a gas well without the need of further administrative review effective the date of initial completion, provided the GOR was determined by stabilized well test conducted within 180 days of well completion and in accordance with the GOR determination requirements of Commission procedures as indicated on Forms G-1, G-5 or W-2 as appropriate.

RULE 6: An exception to Statewide Rules 16(b), 28(a), 28(b) and 51(a) is granted for wells in this field to provide operators time for well stabilization prior to testing as follows: Well Record Only completion reports will be considered timely filed if received by the Commission within 30 days of well completion, and Initial Potential completion reports will be considered timely filed if received by the Commission within 180 days of well completion. Failure to comply with this provision may subject the operator to sanctions according to Rule 16(e) but will not prevent permanent gas well classification as provided above.

This rule shall allow for the backdating of allowables without requiring a waiver to be secured from all field operators. This rule will grant the Commission the authority to issue an allowable back to the initial completion date for all oil wells and gas wells in the field to prevent unnecessary shut-ins and to alleviate potential overproduction issues related to the completion paperwork filings. If an extension of time is granted under Rule 5, the exceptions to Statewide Rules 16(b), 28(a), 28(b), and 51(a) under this rule are automatically extended for the additional time.

The exceptions to Statewide Rules 16(b), 28(a), 28(b), and 51(a) provided for in the rules adopted in this Final Order shall be applicable to all wells in the field, regardless of when completion forms are filed and including wells for which completion forms were filed prior to the entry of this order."

RULE 7: Operators in the field are granted blanket authority for common storage, including off-lease storage, for all wells completed in the field which are separated and measured as required by statewide rule prior to commingling for common storage. This rule only grants authority for common storage of production from leases where, unless individual lease exception to statewide rule on lease measurement requirements has been obtained, lease production is separated and measured prior to leaving the lease and the lease production is properly reported to the Commission. This rule does not in any way affect the filing and reporting requirements for allocation and production sharing wells. Individual exceptions to Statewide Rules 26, 27, or 55, relating to separation and/or measurement may still be requested for any well or lease in the field.

RULE 8: Operators of flowing oil wells may comply with the following casing program as an alternative to Statewide Rule 13(b)(4) (*tubing requirements for land wells and bay wells*) so long as each participating well meets the requirements of the program as described by this Rule and otherwise satisfies the intent of Statewide Rule 13(a)(1).

a. For horizontal oil wells cased with tapered long-string production casing from the toe of the well to surface designed for all normal producing well loads, the operator shall comply with the following conditions:

(1) the bottom of tubing shall be installed no more than 100 feet (vertical) above the point of transition from the larger diameter production casing to the smaller diameter production casing in the tapered long-string casing;

(2) the point of transition described in subsection (1) shall be located no more than 1,200 feet (vertical) above the top of the correlative interval of the field; and

(3) the production casing cement shall extend 200 feet above the intermediate casing shoe.

b. In the event the base of the intermediate casing is above the top of the correlative interval of the field, the operator shall pressure test the annulus of the intermediate casing and production casing to at least 1,200 psi and run a cement evaluation survey to assess radial cement integrity and placement behind the production casing from the top of the correlative interval of the field to at least 200 feet above the base of the intermediate casing.

(1) The operator shall submit all pressure test results and cement evaluation surveys electronically to the district director as soon as practicably possible, but no later than 48 hours after receipt of the pressure test results and cement evaluation survey.

(2) If the pressure test results or cement evaluation survey indicates insufficient isolation, (sufficient isolation as described in Statewide Rule 13(a)(1)), completion operations may not re-commence until the district director approves a remediation plan, the operator implements the approved plan, and pressure test results and cement evaluation surveys indicate sufficient isolation.

(3) Upon the request of the operator, the district director may approve completion operations in the portion of the wellbore where sufficient isolation exists while remediation operations described in subsection (b)(2) are ongoing with the following restrictions:

(A) the operator shall monitor all annuli during completion operations;

(B) if the pressure deviates above or below the level anticipated by pressure or thermal transfer, the operator shall immediately cease completion operations and notify the district director;

(C) if the operator is required to cease operations pursuant to subsection (b)(3)(B) of this Rule, the operator shall then comply with subsections (b)(1) and (b)(2) described herein.

c. Unless district director approval is required under subsection (b) of this Rule, Commission approval is not required for an operator participating in and complying with the requirements of the alternative casing program set forth in this Rule.

d. All exceptions to Statewide Rules as discussed in Rules 6 and 8 of this order shall be applicable to all wells in the field (including any wells for which completion forms were filed prior to the issuance of this order), regardless of when completion forms are filed.

It is further **ORDERED** that the allocation formula in the Phantom (Wolfcamp) Field will remain suspended. The allocation formula may be reinstated administratively, in

accordance with the Commission's rules, if the market demand for gas in the Phantom (Wolfcamp) Field drops below 100% of deliverability.

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 this Final Order is final and effective on the date the Master Order relating to the Final Order is signed.**

Signed on June 16, 2020.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed by
Hearings Division's Unprotested Master
Order dated June 16, 2020)**