

**RAILROAD COMMISSION OF TEXAS  
HEARINGS DIVISION**

**OIL AND GAS DOCKET NO. 08-0319479**

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**APPLICATION OF SHELL WESTERN E&P (774719) TO CONSIDER AMENDING FIELD RULES FOR THE SANDBAR (BONE SPRING) FIELD, OR IN THE ALTERNATIVE, A BLANKET FIELD WIDE EXCEPTION TO STATEWIDE RULE 13, SANDBAR (BONE SPRING) FIELD, CULBERSON, LOVING, PECOS, REEVES, WARD AND WINKLER COUNTIES, TEXAS**

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**ORDER NUNC PRO TUNC**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Ann. Chap, *et seq.* (Vernon 2004 & Supp. 2010). The Railroad Commission of Texas finds that, the Final Order for Oil and Gas Docket No. 08-0319479, entered on June 16, 2020, contained an error as it did not account for amendments to the Sandbar (Bone Spring) Field rules approved by the Commission on April 21, 2020 in OG-19-00001315, an application made subsequent to the close of record in the subject docket and amendments not at issue in the subject docket. Therefore, this nunc pro tunc consolidates the April and June field rule amendments so that the latter order (the subject docket) does not undo the prior amendment made to Rule 2, stating, "No horizontal drainhole well for oil or gas shall hereafter be drilled such that any take point may be nearer than ONE HUNDRED (100) feet in a non-perpendicular distance from the orientation of the horizontal drainhole to any property line, lease line or subdivision line."

Accordingly, it is **ORDERED** that the Final Order is amended *nunc pro tunc* to reflect the Sandbar (Bone Spring) Field rule in its entirety:

**RULE 1:** The entire correlative interval from 8,007 feet to 11,067 feet as shown on the log of the Anadarko E&P Onshore LLC - Sandbar 54-2-39 Lease, Well No. 1 (API No. 42-301-31431), Section 39, Block 54 T2, T&P RR Co Survey, A-87, Loving County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Sandbar (Bone Spring) Field.

**RULE 2:** No well for oil or gas shall hereafter be drilled nearer than THREE HUNDRED THIRTY (330) feet to any property line, lease line, or subdivision line. There is no minimum between well spacing limitation. 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. A take point in a horizontal drainhole well is any point along a horizontal drainhole where oil

and/or gas can be produced into the wellbore from the reservoir/field interval. The first take point may be at a different location than the penetration point and the last take point may be at a location different than the terminus point.

- b. No horizontal drainhole well for oil or gas shall hereafter be drilled such that any take point may be nearer than ONE HUNDRED (100) feet in a non-perpendicular distance from the orientation of the horizontal drainhole to any property line, lease line or subdivision line.
- c. 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 THIRTY (330) feet.

In addition to the penetration point and the terminus of the wellbore required to be identified on the drilling permit application (Form W-1H) and plat, the first and last take points must also be identified on the drilling permit application (remarks section) and plat. Operators shall file an as-drilled plat showing the path, penetration point, terminus and the first and last take points of all drainholes in horizontal wells, regardless of allocation formula.

If the applicant has represented in the drilling application that there will be one or more no perf zones or "NPZ's" (portions of the wellbore within the field interval without take points), then the as-drilled plat filed after completion of the well shall be certified by a person with knowledge of the facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all pertinent and required data. In addition to the standard required data, the certified plat shall include the as-drilled track of the wellbore, the location of each take point on the wellbore, the boundaries of any wholly or partially unleased tracts within a Rule 37 distance of the wellbore, and notations of the shortest distance from each wholly or partially unleased tract within a Rule 37 distance of the wellbore the nearest take point on the wellbore.

A properly permitted horizontal drainhole will be considered to be in compliance with the spacing rules set forth herein if the as-drilled location falls within a rectangle established as follows:

- a. Two sides of the rectangle are parallel to the permitted drainhole and 50 feet on either side of the drainhole;
- b. The other two sides of the rectangle are perpendicular to the sides described in (a) above, with one of those sides passing through the first take point and the other side passing through the last take point.

Any point of a horizontal drainhole outside of the described rectangle must conform to the permitted distance of the property line, lease line or subdivision line measured perpendicular from the wellbore.

For any well permitted in this field, the penetration point need not be located on the same lease, pooled unit or unitized tract on which the well is permitted and may be located on an Offsite Tract. When the penetration point is located on such Offsite Tract, the applicant for such a drilling permit must give 21 days notice by certified mail, return receipt requested to the mineral owners of the Offsite Tract. For the purposes of this rule, the mineral owners of the Offsite Tract are (1) the designated operator; (2) all lessees of record for the Offsite Tract where there is no designated operator; and (3) all owners of unleased mineral interests where there is no designated operator or lessee. In providing such notice,

applicant must provide the mineral owners of the Offsite Tract with a plat clearly depicting the projected path of the entire wellbore. In the event the applicant is unable, after due diligence, to locate the whereabouts of any person to whom notice is required by this rule, the applicant must publish notice of this application pursuant to the Commission's Rules of Practice and Procedure. If any mineral owner of the Offsite Tract objects to the location of the penetration point, the applicant may request a hearing to demonstrate the necessity of the location of the penetration point of the well to prevent waste or to protect correlative rights. Notice of Offsite Tract penetration is not required if (a) written waivers of objection are received from all mineral owners of the Offsite Tract; or, (b) the applicant is the only mineral owner of the Offsite Tract. To mitigate the potential for well collisions, applicant shall promptly provide copies of any directional surveys to the parties entitled to notice under this section, upon request.

**RULE 3a:** The acreage assigned to the individual 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. No double assignment of acreage will be accepted.

If after the drilling of the last 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 TWENTY (20) 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.

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 3b:** The acreage assigned to the individual 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. No double assignment of acreage will be accepted.

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.

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

<b>Horizontal Drainhole</b>	<b>Maximum Proration Unit Size, acres</b>
0' - 1,500'	320
1,501' - 3,000'	480
3,001' - 4,500'	640
4,501' - 6,000'	800
6,001' - 7,500'	960
7,501' - 9,000'	1,120

etc. 500' increments

etc. 160-acre increments

For the purpose of assigning additional acreage to a horizontal drainhole well pursuant to the table listed in this Order, the distance from the first take point to the last take point in the horizontal drainhole shall be used in such determination, in lieu of the distance from penetration point to terminus.

**RULE 4a:** The maximum daily oil allowable for each well in the subject field shall be the 1965 Yardstick Allowable. The actual allowable for an individual well shall be determined by the sum total of the two following values:

- a. Each well shall be assigned an allowable equal to the top allowable established for a well having a proration unit containing the maximum acreage authorized exclusive of tolerance acreage multiplied by 50% and by then multiplying this value by a fraction, the numerator of which is the acreage assigned to the well and the denominator of which is the maximum acreage authorized for a proration unit exclusive of tolerance acreage.
- b. Each well shall be assigned an allowable equal to 50% of the maximum daily oil allowable above.

Each oil well shall have unlimited net gas-oil ratio authority.

**RULE 4b:** The subject 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:

- a. FIFTY percent (50%) of the total field 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 pro-ratable wells producing from this field.
- b. FIFTY percent (50%) of the field's total allowable shall be allocated equally among all the individual proratable wells producing from the field.

**RULE 4c:** Upon an operator's written request, the Commission may cancel overproduction for any lease in this field for any twelve one-month periods.

**RULE 5:** A flowing oil well will be granted administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 13(b)(5)(a) exceptions, a six month exception to Statewide Rule 13(b)(5)(a) regarding the requirement of having to be produced through tubing. A revised completion report will be filed once the oil well has been equipped with the required tubing string to reflect the actual completion configuration. This exception would be applicable for new drills, reworks, recompletions or for new fracture stimulation treatments for any flowing oil well in the field. For good cause shown, an operator may obtain administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 13(b)(5)(a) exceptions, an extension for an additional three months. If the request for an extension of time is denied, the operator may request a hearing.

**RULE 6:** An oil well will be granted administratively, without necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 51(a) exceptions, a six month exception to the provisions of Statewide Rule 51(a) regarding the 10 day rule for filing the potential test after testing of the well. This will allow for the backdating of allowable on the oil wells 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 in the field to prevent unnecessary shut-ins to alleviate potential overproduction issues related to the completion paperwork filings and producing oil wells without tubing. If an extension of time is granted under Rule 5, the exception to Statewide Rule 51(a) under this rule is automatically extended for the additional time.

**RULE 7:** 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 5, 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** by the Railroad Commission of Texas that the allocation formula in the Sandbar (Bone Spring) Field shall remain suspended. The allocation formula may be reinstated administratively if the market demand for gas in the Sandbar (Bone Spring) Field drops below 100% of deliverability. If the market demand for gas in the Sandbar (Bone Spring) Field drops below 100% of deliverability while the allocation formula is suspended, the operator shall immediately notify the Commission and the allocation formula shall be immediately reinstated.

Pursuant to the final order in Docket No. 08-0295961, all wells completed with a gas-oil ratio of 3,000 cubic feet per barrel and above in the Sandbar (Bone Spring) Field in Ward, Winkler, Culberson, Reeves, and Loving Counties, Texas, are permanently classified as gas wells without the need of further administrative review, effective the date of initial completion.

Oil and Gas Docket No. 08-0319479  
Order Nunc Pro Tunc

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 August 4, 2020.

**RAILROAD COMMISSION OF TEXAS**

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