

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

**OIL AND GAS DOCKET
NO. 7B-0296161**

**IN THE BURNS-DALTON (MARBLE
FALLS) FIELD, PALO PINTO COUNTY,
TEXAS**

**FINAL ORDER
AMENDING FIELD RULES FOR THE
BURNS-DALTON (MARBLE FALLS) FIELD,
PALO PINTO COUNTY, TEXAS**

The Commission finds that after statutory notice in the above-numbered docket heard on May 14, 2015, the presiding 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 adopted in Final Order No.7B-93,155, effective July 10, 1989, as amended, for the Burns-Dalton (Marble Falls) Field, Palo Pinto, Texas, are hereby amended. The amended field rules are set out in their entirety as follows:

RULE 1: The entire correlative interval from 4,342 feet to 4,534 feet as shown on the Dual Induction - SFL Gamma Ray log of the Mitchell Energy Corporation: J. P. Ritchie Lease, Well No. 1 (API No. 42-363-33961), T.W. Moore A-1907 Survey, Palo Pinto County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Burns-Dalton (Marble Falls) 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. The first take point and last take point in a horizontal well shall not be nearer than ONE HUNDRED (100) feet from 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 "NPZs" (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 tract 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 to 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 to the nearest property line, lease line or subdivision line.

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 an individual vertical oil or gas well for the purpose of allocating allowable 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 double assignment of acreage will be allowed. There is no maximum diagonal limitation in this field.

Notwithstanding the above, the acreage assigned to an oil or gas well which has been drilled as a horizontal drainhole may contain more than THREE HUNDRED TWENTY (320) acres providing that the following formula is utilized to determine the proper assignment of acreage:

$$A = (L \times 0.14) + 320 \text{ acres}$$

Where: A = calculated area assignable, if available, to a horizontal drainhole

for proration purposes rounded upward to the next whole number evenly divisible by 40 acres;

L = the horizontal drainhole distance measured in feet between the first take point and the last take point.

For the purpose of assigning additional acreage to a horizontal drainhole gas well pursuant to the formula above, 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.

If after the drilling of the last well on any lease or pooled unit and the assignment of acreage to each well thereon in accordance with the regulations of the Commission there remains additional unassigned acreage of less than EIGHTY (80) acres, then and in such event the remaining unassigned acreage up to and including a total of EIGHTY (80) 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 units of eighty (80) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

RULE 3b: Under the following conditions, an operator, at its option, shall be granted an exception to Statewide Rule 38 and permitted to form fractional units of less than EIGHTY (80) acres, but not less than FORTY (40) acres:

- a. The Railroad Commission shall notify in writing the designated operators, lessees of record for tracts that have no designated operator, and all owners of unleased mineral interests (i) within SIX HUNDRED SIXTY (660) feet from the location of a vertical well or (ii) within SIX HUNDRED SIXTY (660) feet of any take point on a horizontal wellbore.
- b. Designated operators, lessees of record for tracts that have no designated operator, and all owners of unleased mineral interests receiving this written notification shall have 21 days from the date of issuance of the notice of application for a Rule 38 density exception to file a written protest with the Railroad Commission, such protest to be received by the Railroad Commission within said 21 day period.
- c. If no written protest is received by the Railroad Commission within the 21 day period of time, or if written waivers are received from each designated operator, lessee of record for tracts that have no designated operator, and

all owners of unleased mineral interests to whom notice is required, the application shall be approved administratively by the Railroad Commission.

- d. If a written protest is received by the Railroad Commission within 21 days of the date of issuance of the notice of application, the application will be scheduled for hearing at which the applicant must show that the fractional proration unit and the well thereon are necessary to effectively drain an area of the field that will not be effectively drained by existing wells, or to prevent waste or confiscation.
- e. Permits granted pursuant to the above provision shall be issued as exceptions to Statewide Rule 38.
- f. For permits requested on fractional units of less than FORTY (40) acres, the procedures set forth in 16 Tex. Admin. Code §3.38 (Rule 38) shall apply.

RULE 3c: For the determination of acreage credit in this field, operators shall file for each oil or gas well in this field a Form P-15 Statement of Productivity of Acreage Assigned to Proration Units. On that form or an attachment thereto, the operator shall list the number of acres that are being assigned to each well on the lease or pooled unit for proration purposes. For oil or gas wells, operators shall be required to file, along with the Form P-15, a plat of the lease, pooled unit or property; provided that such plat shall not be required to show individual proration units. There is no maximum diagonal limitation in this field.

RULE 4a: The maximum daily oil allowable for an oil well in the field shall be determined by multiplying the applicable yardstick allowable for a well in the field by a fraction, the numerator of which is the acreage assigned to the well for proration purposes and the denominator of which is the maximum acreage authorized by these field rules for an oil well for proration purposes, exclusive of tolerance acreage.

RULE 4b: The daily allowable production of gas from individual gas wells completed in the subject field shall be determined by allocating the allowable production, after deductions have been made for gas wells which are incapable of producing their gas allowables, among the individual gas wells in the proportion that the acreage assigned such gas well for proration purposes bears to the summation of the acreage with respect to all prorable gas wells producing from the same reservoir.

RULE 5: The daily oil allowable for a well in the field producing with a gas-oil ratio in excess of 5,000 cubic feet of gas per barrel of oil produced shall be allowed to produce only that volume of gas obtained by multiplying its maximum daily oil allowable by 5,000. The gas volume thus obtained shall be known as the daily gas limit for the well. The daily oil allowable for the well shall then be determined by dividing its daily gas limit by its producing gas-oil ratio in cubic feet per barrel.

RULE 6: For oil and gas wells, Stacked Lateral Wells within the correlative interval for the field that are drilled from different wellbores may be considered a single well for regulatory purposes, as provided below:

1. A horizontal drainhole well qualifies as a Stacked Lateral Well under the following conditions:
 - a) There are two or more horizontal drainhole wells on the same lease or pooled unit within the correlative interval for the field;
 - b) Horizontal drainholes are drilled from different surface locations;
 - c) Each point of a Stacked Lateral Well's horizontal drainhole shall be no more than 300 feet in a horizontal direction from any point along any other horizontal drainhole of that same Stacked Lateral Well. This distance is measured perpendicular to the orientation of the horizontal drainhole and can be illustrated by the projection of each horizontal drainhole in the Stacked Lateral Well into a common horizontal plane as seen on a location plat; and
 - d) There shall be no maximum or minimum distance limitations between horizontal drainholes of a Stacked Lateral Well in a vertical direction.
2. A Stacked Lateral Well, including all surface locations and horizontal drainholes comprising such Stacked Lateral Well, shall be considered as a single well for density and allowable purposes.
3. Each surface location of a Stacked Lateral Well must be permitted separately and assigned an API number. In permitting a Stacked Lateral Well, the operator shall identify each surface location of such well with the designation "SL" in the well's lease name and also describe the well as a Stacked Lateral Well in the "Remarks" of the Form W-1 drilling permit application. The operator shall also identify on the plat any other existing, or applied for, horizontal drainholes comprising the Stacked Lateral Well being permitted.
4. To be a regular location, each horizontal drainhole of a Stacked Lateral Well must comply with (i) the field's minimum spacing distance as to any lease, pooled unit or property line, and (ii) the field's minimum between well spacing distance as to any different well, including all horizontal drainholes of any other Stacked Lateral Well, on the same lease or pooled unit in the field. Operators may seek exceptions to Rules 37 and 38 for Stacked Lateral Wells in accordance with the Commission's rules, or any applicable rule for this field.
5. Operators shall file separate completion forms for each surface location of the Stacked Lateral Well. Operators shall also file a certified as-drilled location plat for each surface location of a Stacked Lateral Well showing each horizontal drainhole from that surface location, confirming the well's qualification as a Stacked Lateral Well and showing the maximum distances in a horizontal direction between each

horizontal drainhole of the Stacked Lateral Well.

6. In addition to the completion forms for each surface location of a Stacked Lateral Well, the operator must file a separate Form G-1 or Form W-2 for record purposes only for the Commission's Proration Department to build a fictitious "Record Well" for the Stacked Lateral Well. This Record Well will be identified with the words "SL Record" included in the lease name. This Record Well will be assigned an API number and Gas Well ID or Oil lease number and listed on the proration schedule with an allowable if applicable.

7. In addition to the Record Well, each surface location of a Stacked Lateral Well will be listed on the proration schedule, but no allowable shall be assigned for an individual surface location. Each surface location of a Stacked Lateral Well shall be required to have a separate G-10 or W-10 test and the sum of all horizontal drainhole test rates shall be reported as the test rate for the Record Well.

8. Operators shall report all production from horizontal drainholes included as a Stacked Lateral Well on Form PR to the Record Well. Production reported for a Record Well is the total production from the horizontal drainholes comprising the Stacked Lateral Well. Operators shall measure the production from each surface location of a Stacked Lateral Well. Operators may measure full well stream with the measurement adjusted for the allocation of condensate based on the gas to liquid ratio established by the most recent G-10 well test rate for that surface location. The gas and condensate production will be identified by individual API number and recorded and reported on the "Supplementary Attachment to Form PR".

9. If the field's 100% AOF status should be removed, the Commission's Proration Department shall assign a single gas allowable to each Record Well classified as a gas well. The Commission's Proration Department shall also assign a single oil allowable to each Record Well classified as an oil well. The assigned allowable may be produced from any one or all of the horizontal drainholes comprising the Stacked Lateral Well.

10. Operators shall file an individual Form W-3A Notice of Intention to Plug and Abandon and Form W-3 Well Plugging Report for each horizontal drainhole comprising the Stacked Lateral Well as required by Commission rules.

11. An operator may not file Form P-4 to transfer an individual surface location of a Stacked Lateral Well to another operator. P-4's filed to change the operator will only be accepted for the Record Well if accompanied by a separate P-4 for each surface location of the Stacked Lateral Well.

Pursuant to the final order in Oil and Gas Docket No. 7B-0289583, blanket authority for exception to Statewide Rule 10 has been approved for all wells in the Burns-Dalton (Marble Falls) Field, and Newark, East (Barnett Shale) Field, Palo Pinto, and Jack Counties, and any other county in which the two fields both occur in Texas.

Done this 14th day of July, 2015.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by Hearings Divisions' Unprotected
Master Order dated July 14, 2015)**