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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

OIL & GAS DOCKET NO. 08-0327331

APPLICATION OF BOSQUE TEXAS OIL LLC (OPERATOR NO. 083288) FOR A NEW FIELD DESIGNATION AND TEMPORARY FIELD RULES FOR THE PROPOSED RUPPEL (WOODFORD) FIELD, WARD AND WINKLER COUNTIES, TEXAS; DISTRICT 08

HEARD BY: John Moore – Technical Hearings Examiner
Jennifer Cook – Administrative Law Judge

HEARING DATE: October 28, 2020

CONFERENCE DATE: February 23, 2021

APPEARANCES:

APPLICANT:

Mark W. Hanna, Attorney
Ross Sutherland, Attorney
William Fricker
Rick Johnston, P.E.

REPRESENTING:

Bosque Texas Oil LLC

EXAMINERS' REPORT AND RECOMMENDATION

STATEMENT OF THE CASE

Bosque Texas Oil LLC (083288) ("Bosque" or "Applicant"), a wholly owned subsidiary of Marathon Oil Company, requests a new field designation and the adoption of temporary field rules for the proposed Ruppel (Woodford) Field (the "Field") in Ward and Winkler Counties, Texas. Bosque is the only operator in the Field and proposed the following temporary field rules which are to be reviewed by the Commission in two (2) years:

- o The entire correlative interval from 11,397 feet to 13,382 feet as shown on the log of the G.W. O'Brien et al. Well No. 880 (API No. 42-495-20260) Winkler County, Texas shall be designated as a single field for proration purposes and be designated as the Ruppel (Woodford) Field; i.e. from the top of the Barnett Formation to the bottom of the Woodford Formation.

- 40-acre density for both oil and gas wells, with 40-acre option for all wells so that up to 80 acres may be assigned to any well with additional acreage assignable to horizontal wells as permitted by Statewide Rule 86's lower table for fields with a density rule greater than 40 acres;
- 330-foot lease line spacing; and for horizontal wells, 330-feet perpendicular to the wellbore, but 100-feet around the first and last take points or no-perf zones;
- No minimum requirement for between well spacing;
- UFT designation and allowable in accordance with Rule 86; and
- A two-factor allocation formula for allowables based on 50% acreage and 50% per well.

In addition to the discovery well, there are five (5) other recently drilled wells which Bosque requests be transferred into the proposed Ruppel (Woodford) Field without requiring the filing of Commission Form W-1.

Notice of Bosque's application and the hearing was sent to all operators of tracts adjacent to the 22,000-acre discovery tract, operators within 2.5 miles of the proposed discovery well, and lessees with no operator or unleased mineral owners within one (1) mile of each of the five (5) other Bosque wells completed in the proposed Field's correlative interval. Bosque's application for a new field designation and the adoption of temporary field rules is not protested.

The Technical Examiner and Administrative Law Judge (collectively, "Examiners") recommend that Bosque's proposed new field designation, the well transfer, and the adoption of temporary field rules for the Ruppel (Woodford) Field be granted, with such temporary field rules being subject to a review by the Commission in two (2) years.

DISCUSSION OF THE EVIDENCE

Bosque discovered the proposed Field with the horizontal fracture stimulated completion of its G.W O'Brien et al Lease, Well No. 2H (API No. 42-475-37669) ("Well 2H") in July 2019. Well 2H perforations are in the Woodford Formation at a measured depth of 13,966 feet to 17,345 feet, which is a true vertical depth of approximately 13,800 feet to 14,032 feet. Bosque subsequently drilled and completed five (5) additional wells in the correlative interval of the proposed new Field. The existing production within 2.5 miles of the discovery well is much shallower above depths of 3,500 feet in the Yates Formation or above 9,300 feet in the Pennsylvanian Formation.

Bosque requested a hearing on July 24, 2020, to consider a new field designation and the adoption of temporary field rules for the proposed Ruppel (Woodford) Field in Ward and Winkler Counties, Texas. The Commission's Hearing Division issued a Notice

of Hearing ("Notice") on October 9, 2020. Notice of Bosque's application and the hearing was sent to all operators of tracts adjacent to the 22,000-acre discovery tract, operators within 2.5 miles of the discovery well, and lessees with no operator or unleased mineral owners within one (1) mile of each of the five (5) other Bosque wells completed in the proposed Field.

Bosque provided Commission Form W-2 completion reports for Well 2H and for the five other Bosque wells completed in the correlative interval of the proposed Field:

- G.W. O'Brien et al. Lease, Well No. 1, API No. 42-495-34217,
- G.W. O'Brien et al. Lease, Well No. 4H, API No. 42-475-37996,
- G.W. O'Brien et al. Lease, Well No. 3H, API No. 42-495-34444,
- Sealy Smith Lease, Well No. 1H, API No. 42-475-38095; and
- King George Lease, Well No. 1H, API No. 42-475-38122.

It is geologically appropriate that these wells should be transferred to the Ruppel (Woodford) Field and Commission Form W-1 shall not be required to transfer the wells.

The Commission Form W-2 for each of these wells, including Well 2H, demonstrate that each well was horizontally drilled and utilized a fracture stimulated completion. Further, the Commission Form W-2 for each of the six (6) wells states the wells' field designation as Wildcat. Bosque also provided the results of a Rotary Sidewall Core analysis performed on core samples taken at depths from 13,125 feet to 13,295 feet within the correlative interval of the proposed Field in the pilot hole of Well 2H. Each of the twenty-one (21) core samples demonstrated permeability of less than 0.1 millidarcies. In accordance with the prescribed requisites of the Commission's Statewide Rule 86, the proposed Field satisfies the criteria for an Unconventional Fracture Treated ("UFT") field designation.

Bosque requested the following temporary field rules which contain provisions similar to those adopted for other West Texas fields having similar reservoir characteristics:

RULE 1: The entire correlative interval from 11,397 feet to 13,382 feet as shown on the log of the G.W. O'Brien et al. Well No. 880 (API No. 42-495-20260) Winkler County, Texas shall be designated as a single field for proration purposes and be designated as the Ruppel (Woodford) Field; i.e. from the top of the Barnett formation down to the bottom of the Woodford Formation.

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 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 therefore 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.

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.

RULE 3: The acreage assigned to an 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 FORTY (40) acres except as hereinafter provided. There is no maximum diagonal limitation in this field. All proration units shall consist of continuous and contiguous acreage which can reasonably be considered productive oil. No double assignment of acreage will be allowed, except in accordance with Rule 40.

Notwithstanding the above, operators may elect to assign a tolerance of not more than FORTY (40) acres of additional unassigned lease acreage to a well on a FORTY (40) acre unit and shall in such event receive allowable credit for not more than EIGHTY (80) acres.

Furthermore, for the purpose of additional acreage assignment to horizontal drainhole wells under Statewide Rule 86(d)(1), the amount specified by applicable rules for a proration unit for a vertical well shall be EIGHTY (80) acres assigned in this **Rule 3** plus the acreage assigned pursuant to the chart, referenced in Statewide Rule 86(d)(1) and identified as "For Fields with a Density Rule Greater than 40 Acres," shall apply to the Ruppel (Woodford) Field.

For the determination of acreage credit in this field, operators shall file for each oil or gas well in this field a Form P-16 Acreage Designation. 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 unit for proration purposes. For oil or gas wells, operators shall be required to file, along with the Form P-16, a plat of the entire lease, unit or property, provided that such plat shall not be required to show individual proration units. However, an operator may at their option file the Form P-16 and individual proration plats at their sole discretion.

RULE 4: The maximum daily oil allowable for each vertical well in the subject field shall be the 1965 Yardstick Allowable and 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 FIFTY percent (50%) of the maximum daily oil allowable.
- b. 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 FIFTY percent (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 exclusive of tolerance acreage.

The allowable for horizontal wells is governed by Rule 86's allowable for horizontal wells in UFT Fields. See 16 TAC 3.86(d)(5).

RULE 5: The Ruppel (Woodford) Field is designated a UFT field under Rule 86 and subject to all applicable rules and provisions thereunder. See 16 TAC 3.86(i).

It is further **ORDERED** that these rules are temporary and effective for a two-year period until February 22, 2023, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the rules. After this notice and

opportunity for hearing, should evidence evaluated during review be insufficient to sustain spacing, proration unit, allowable production, or well classification rules, those respective unsupported temporary rules, on the Commission's motion, will be terminated and the field will revert to appropriate spacing, density, allowable production or well classification rules as designated by the Commission in its final order.

Bosque agreed on the record that, pursuant to the provisions of Texas Government Code § 2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

FINDINGS OF FACT

1. Bosque filed a request on July 24, 2020, for a new field designation and the adoption of temporary field rules for the proposed Ruppel (Woodford) Field in Ward and Winkler Counties, Texas.
2. On October 9, 2020, the Hearings Division of the Commission sent a Notice of Hearing ("Notice") to Applicant and all operators in the Field setting a hearing date of October 28, 2020. 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 28, 2020, as noticed. Applicant appeared and participated at the hearing. No one appeared in protest.
3. The discovery well for the proposed Ruppel (Woodford) Field is the G.W O'Brien et al Lease, Well No. 2H (API No. 42-475-37669) with perforations in the Woodford Formation at a measured depth of 13,966 feet to 17,345 feet, which is a true vertical depth of approximately 13,800 feet to 14,032 feet.
4. The designated correlative interval for the proposed Ruppel (Woodford) Field is the correlative equivalent of 11,397 feet to 13,382 feet as shown on the log of the G.W. O'Brien et al. Well No. 880 (API No. 42-495-20260) Winkler County, Texas; i.e. from the top of the Barnett Formation down to the bottom of the Woodford Formation.
5. There is no comparable production from the designated correlative interval for the proposed Ruppel (Woodford) Field within a 2.5-mile radius of the discovery well, the G.W O'Brien et al Lease, Well No. 2H.
6. The Commission Form W-2 for each of the six (6) Bosque wells completed in the correlative interval of the proposed Field demonstrate that each well was horizontally drilled and utilized a fracture stimulated completion.
7. It is geologically appropriate to transfer each of the six (6) Bosque wells completed

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in the designated correlative interval of the proposed Ruppel (Woodford) Field into the Ruppel (Woodford) Field.

8. The results of a Rotary Sidewall Core analysis performed on core samples taken at depths from 13,125 feet to 13,295 feet within the correlative interval of the proposed Field in the pilot hole of Well 2H demonstrate permeability of less than 0.1 millidarcies.

9. The requested temporary field rules, as proposed by Bosque, are similar to those field rules adopted for other fields in West Texas having similar reservoir characteristics and will serve to prevent waste, protect correlative rights and promote the orderly development of the proposed Field.

10. The proposed temporary field rules are to be effective for a two-year period until February 22, 2023, or until Commission staff evaluates appropriate data after notice and opportunity for hearing as offered by the Commission prior to the expiration of the temporary field rules.

11. Bosque agreed on the record that, pursuant to the provisions of Texas Government Code § 2001.144(a)(4)(A), this Final Order shall be final and effective on the date a Master Order relating to this Final Order is signed.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely issued to persons entitled to notice. Tex. Gov't. Code §§ 2001.051 and 2001.052; Tex. Admin. Code §§ 1.42 and 1.45.

2. The Commission has jurisdiction in this case. Tex. Nat. Res. Code § 81.051.

3. Pursuant to the requisites of the Commission's Statewide Rule 41, the proposed Field satisfies the criteria for a new field designation as the Ruppel (Woodford) Field.

4. Pursuant to the requisites of the Commission's Statewide Rule 86, the proposed Field satisfies the criteria for an Unconventional Fracture Treated ("UFT") field designation.

5. Approval of Bosque's application for the adoption of temporary field rules is necessary to prevent waste, protect correlative rights and promote the orderly development of the proposed Field.

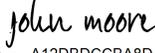
6. Pursuant to Tex. Gov't. Code § 2001.144(a)(4)(A) and by agreement of Bosque on the record, Bosque has waived the right to file a motion for rehearing and the Final Order in this case can be final and effective on the date the Master Order relating to this Final Order is signed.

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EXAMINERS' RECOMMENDATION

Based on the above findings of fact and conclusions of law, the Examiners recommend that the Commission approve the new field designation, transfer the six (6) Bosque wells into the Ruppel (Woodford) Field without the requirement to file a Commission Form W-1, designate the proposed Field as an Unconventional Fracture Treated (UFT) field and adopt the proposed temporary field rules for a two (2) year period from the effective date of the final order for the proposed Ruppel (Woodford) Field, Ward and Winkler Counties, Texas.

Respectfully submitted,

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John L. Moore
Technical Examiner

DocuSigned by:
Jennifer Cook
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Jennifer N. Cook
Administrative Law Judge