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ASSISTANT DIRECTOR, TECHNICAL PERMITTING

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

November 14, 2016

OPUS OPERATING II LLC
ATTN: REGULATORY DEPARTMENT
PO BOX 11403
MIDLAND TX 79702

RE: **APPLICATION FOR EXCEPTION TO SWR 10**
LEASE: UNIVERSITY TAYLOR DRAW 30
WELL NO. 1
UPTON COUNTY, DISTRICT 7C, TEXAS
API NO. 461-40161

FIELD NAME	FIELD NO.	COMPLETION DEPTHS (FT)
SHEEP MOUNTAIN (CONSOLIDATED)	82857300	7860'-9555'
BLOCK 4 (DEVONIAN)	09144200	10010'-10080'
TOKEEN (MISSISSIPPIAN)	90358500	9646'-9785'

HYDROGEN SULFIDE RESTRICTION: NO

The Commission has approved your application to down-hole commingle production within the above-referenced wellbore from the SHEEP MOUNTAIN (CONSOLIDATED); BLOCK 4 (DEVONIAN); and TOKEEN (MISSISSIPPIAN) fields in UPTON County, Texas. For allowable and reporting purposes, the well will be assigned to the **SHEEP MOUNTAIN (CONSOLIDATED)** field. It will be necessary to have or obtain Commission authority to complete this well in each of the subject zones (Form W-1 approval). The effective date of this SWR 10 Exception is October 17, 2016. This exception to SWR 10 will expire if not used within two (2) years from the date of this permit. This expiration date is November 15, 2018.

If the commingled well tests as a gas well and the well is not currently on schedule as a multi-completed well or never has been on schedule as a single completion in any of the non-reporting fields listed above, you must file a well-record-only G-1 for the field(s). This completion must be treated as a separate completion. It will not be eligible for allowable status, and will be carried on the proration schedule as a SWR 10 well. The only instances in which the production will be assigned to a field in which the allocation formula has been suspended are when: (1) The allocation formula has been suspended in all of the fields cited in the Rule 10 Exception application, or (2) If the production is less than 200 MCFPD. If the status for any of the fields changes it may be necessary to reassign the production to the prorated field. Contact your proration analyst to inquire as to which forms are necessary to change the reporting field.

Acreage assigned to the referenced well for allocation of allowable shall not be assigned to any other well or wells projected to or completed in the above-referenced fields; such duplicate assignment of acreage is not acceptable, provided, however, that this limitation shall not prevent the reformation of development or proration units so long as no duplicate assignment of acreage occurs, and further, that such reformation does not violate other conservation regulations.

The maximum daily allowable for the combined production will be limited to the top allowable for the reporting field and will become effective upon receipt of Form G-1 or W-2 showing combined completion data and results of a potential test performed after the physical work of down hole commingling has been completed and run in accordance with Statewide Rule 28. Please indicate in "remarks" the reason for filing this report, giving date of Commission approval of this Rule 10 Exception.

Should secondary recovery operations be initiated in either of these reservoirs, it may be necessary to segregate these zones. If surface-commingling authority has been granted, it may be necessary to amend or cancel this authority.

Permit conditions:

The completion of the commingled well must be a reasonable match with the wellbore diagram filed with the application. Variances in completion depths are acceptable provided that these completion depths remain within the designated correlative intervals for the commingled fields. A copy of this wellbore diagram must be filed with the completion report for the commingled well.

Note: The distribution of this document will be by E-MAIL ONLY. E-mail sent to csswan@swanderlandok.com.

If you have any questions, you may contact the engineering unit in the Austin office at 512-463-1126.

STATEWIDE RULE 10 EXCEPTION DATA SHEET

\$375.00 Fee Required
(Statewide Rule 78
effective 05/01/2012)

County UptonRRC District 7CDate 10/13/2016

- (1) Operator Name, Address, RRC ID No., Name & Phone No. of Contact Person

OPUS Operating II, LLC RRC ID. No. 625171P.O. Box 11403Midland, TX 79702Connie Swan (918) 621-6533

X Does the applicant request to receive all Commission correspondence concerning the administrative review of this application VIA EMAIL ONLY? If yes, indicate email address csswan@swanderlandok

- (2) API#
- 42-461-40161
- Lease name & well #
- University Taylor Draw 30 #1

- (3) Field Information. Indicate the following for each field:

(a) Field name SHEEP MOUNTAIN (CONSOLIDATED); BLOCK 4 (DEVONIAN)
TOKEEN (MISSISSIPPIAN)

(b) Field number 82857300; 09144200; 90358500

(c) Oil or gas Oil; Oil or Gas; Gas

(d) Spacing and density rules (SMC) 467/1320/160; (B4D) 467/1200/40; (TM) 467/1200/40

(e) Top allowable (SMC) 471 BPD; (B4D) 210 BPD

(f) Discovery date (SMC) 12/05/06; (B4D) 06/1956; (TM) 6/1984

(g) Depth (SMC) 7692-9838'; (B4D) 10202-10325'; (TM) 10070-10150'

(h) Hydrogen sulfide status (Statewide Rule 36) SHEEP MOUNTAIN (CONSOLIDATED) is exempt from H2S filings. BLOCK 4 (DEVONIAN) and TOKEEN (MISSISSIPPIAN) are not on H2S schedule.

- (4) Indicate an instance (operator, lease, well no., or docket #) wherein the Commission has granted a Statewide Rule 10 Exception for these same zones (If none, all operators in all of the zones must be notified of this application.) OPUS Operating II, LLC, University Taylor Draw 31 #1; API 461-40163

- (5) Is this well currently on the Commission's schedule as a multi-completed well in the zones cited above? Yes
 If not, explain well status in detail and indicate if Form W-1 has been filed for zones not on the schedule. _____

Indicate completion date of the subject well in each zone. 08/09/2016

- (6) Is this a regular location with respect to all zones for which the exception is requested? Yes

- (7) If the answer to item (6) is "NO", was a Rule 37 permit obtained? _____ If so, state the Rule 37 case Number. _____

- (8) Are the Royalty and Working Interests identical with respect to all proposed combined zones in the well? Yes

- (9) Attach history of subject well including all of the following:

(a) Current producing capabilities for each zone (BD4) 10BO, (TM) 20 BO (SMC) 40BO

(b) Current shut-in BHP for each zone (BD4) 4150 psi, TM 3900 psi SMC 2800 psi

(c) Method of determining shut-in BHP for each zone Hydrostatic Gradient

(d) Anticipated drawdown pressure for each zone under commingled producing conditions _____
(BD4) 1850 psi, (TM) 1200 psi, (SMC) 400 psi

(e) Drawdown pressure for each zone under producing conditions **without** commingling _____
(BD4) 400 psi, (TM) 400 psi, (SMC) 400 psi

- (10) Indicate estimated daily commingled production:
- (a) Gas: 30 MCF/day
 - (b) Oil/Condensate: 60 BBL/day
 - (c) Water: 10 BBL/day
- (11) Attach schematic diagram of current and proposed well completion. Indicate where production tubing will be set. Indicate the tops of cement for each string of casing. Indicate perforated depths and which perforations belong to which field.
- (12) Attach a service list showing all affected operators. The applicant shall give notice by serving a copy of the application on all affected operators at the same time the application is filed with the Commission. The applicant must certify on the application that each operator on the service list has been served notice via a copy of this application.
- (13) Will combined production be artificially lifted? Yes Are any of the zones capable of being produced separately without artificial lift? NO If so, indicate which zones. N/A
- (14) Attach a detailed summary as to why the well cannot be produced as a multi-completed well. Also, include detailed reasons for desiring the requested exception. _____
Not economic to complete and produce separately
- (15) Will cross-flow exist under flowing conditions if combined production is permitted? NO Will cross-flow exist under shut-in conditions if combined production is permitted? NO If cross-flow did exist in either case, would reservoir damage result? Not likely – water and oil test compatible
- (16) Present evidence that the fluids from all zones are compatible by answering the following:
- (a) Will down-hole commingling cause scale build-up within the well? NO Present any necessary evidence. _____
 Will down-hole commingling cause any other damage to the well? NO Present any necessary evidence. _____
 - (b) How will the operator monitor the issues addressed by item (a) above?
Regular monitoring of iron and scaling part of operation.
- (17) Present evidence as to the additional recovery of hydrocarbons which will result from down-hole commingling. Also present evidence of the estimated recoverable reserves from each zone without commingling. Indicate the following:
- (a) Remaining recoverable reserves for each zone **without** commingling (BD4) 30 MBOE, (TM) 30 MBOE, (SMC) 60 MBOE
 - (b) Abandonment rate for each zone **without** commingling (BD4) 3 BOPD, (TM) 3 BOPD, (SMC) 3 BOPD
 - (c) Remaining recoverable reserves for each zone **with** commingling (BD4) 50 MBOE, (TM) 50 MBOE, (SMC) 80 MBOE
 - (d) Abandonment rate for each zone **with** commingling (BD4) 1 MBOE, (TM) 1 MBOE, (SMC) 1 MBOE
- (18) If commingling is not approved, what action will the operator take? Not produce Devonian or Mississippian
- (19) Indicate the field that you request the commingled wellbore be assigned to for proration purposes (for first time application in these fields only) SHEEP MOUNTAIN (CONSOLIDATED)

Upon review of this application, the Commission may require additional information to be provided.

Filing instructions: File the original and any required attachments and fees with the Railroad Commission by hand delivery or mail to the following address:

RAILROAD COMMISSION OF TEXAS
ATTN: ENGINEERING UNIT
PO BOX 12967
AUSTIN TX 78711-2967

OPUS OPERATING II LLC
P O BOX 11403
MIDLAND, TX 79702

Statewide Rule 10 Exception Data Sheet (University Taylor Draw 30 Well #1)
Attachment

Item (12) SERVICE LIST – Affected Operators

Offset operators in the SHEEP MOUNTAIN (CONSOLIDATED), BLOCK 4 (DEVONIAN) AND
TOKEEN (MISSISSIPPIAN) fields:

Legacy Reserves Operating LP (495445)
PO Box 10848
Midland, TX 79702

I, Connie Swan, certify that the above Offset Operator(s) to this lease and well were notified of this application for Exception to Statewide Rule 10 on October 13, 2016.

Connie Swan, Regulatory Administrator

1320'FNL & 660' FWL
Sec 30, Block 4, Abs U66

Opus Operating II, LLC
University Taylor Draw 30-1

KB: 2,768'
GL: 2,748'

Upton Co, TX
Permit # 808684
Permit Date 02/18/2016
Updated 08/16/2016

Drilled Wellbore
API No. 42-461-40161

Rod Pump: N/A
First Prod: 08/09/2016
Spud: 04/29/2016
TD: 05/15/2016

Bit Size: 17-1/2"

13-3/8" 48# H-40 STC @ 820 Cmt lead w/ 400 sks 65/35/6
tail w/315 Premium Plus + 2% CaCl and 1.5% Kol-Seal, Top
job required cement to surface w/ 130 sks of Premium Plus

Bit Size: 11"

8-5/8" 32# J55 and NXT80 LTC @ 4304 Cmt lead w/ 2100 sks
50/50 Poz, tail
w/ 360 sks Premium Plus all with 17,640#s of bentonite, 12,278#s
of 100 Mesh Salt, and 4200#s Kol-Seal

Log Tops

Upper Spraberry:	6690'
Lower Spraberry:	7180'
Dean:	7530'
Wolfcamp A:	7670'
Wolfcamp B:	8000'
Wolfcamp C:	8390'
Wolfcamp D:	8750'
Lower Wolfcamp:	9000'
Strawn:	9318'
Penn:	9510'
Tokeen Miss:	9764'
Woodford:	10023'
Devonian:	10058'

TOC @ 3342 from CBL

Bit Size: 7-7/8"

5-1/2" 17# L80 LTC @ 10,480' w/ 1360 sks 50/50 Premium
Plus 67203s of bentonite, 3859#s 100 Mesh Salt, 2720#s Kol-Seal

Wellhead :
Pumping Unit: Well Flowing

Tubing Configuration:

KB	20.00	20.00
10' 2 7/8 Pup Joint	10.00	30.00
TUBING 248 JTS 2.875 L-80	7664.00	7694.00

Pump and Rods:

Well Currently Flowing

Well Completed from 10080-7860
11 stage frac

- 1) 10080-10010 Blk 4 Devonian
- 2) 9785-9646 Tooken Miss
- 3) 9555-9506 Sheep Mt
- 4) 9400-9300 Sheep Mt
- 5) 9083-8960 Sheep Mt
- 6) 8875-8855 Sheep Mt
- 7) 8690-8550 Sheep Mt
- 8) 8475-8360 Sheep Mt
- 9) 8220-8105 Sheep Mt
- 10) 8005-7985 Sheep Mt
- 11) 7860-7880 Sheep Mt

PBTD: 10,379'
TD Log: 10,426'