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LORI WROTENBERY  
DIRECTOR, OIL AND GAS DIVISION  
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ASSISTANT DIRECTOR, TECHNICAL PERMITTING

# RAILROAD COMMISSION OF TEXAS

## OIL AND GAS DIVISION

September 14, 2017

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

RE: **APPLICATION FOR EXCEPTION TO SWR 10**  
LEASE: UNIVERSITY TAYLOR DRAW 31  
WELL NO. 2  
UPTON COUNTY, DISTRICT 7C, TEXAS  
API NO. 461-40164

FIELD NAME	FIELD NO.	COMPLETION DEPTHS (FT)
SHEEP MOUNTAIN (CONSOLIDATED)	82857300	7760'-9805'
TOKEEN (MISSISSIPPIAN)	90358500	9922'-10141'
BLOCK 4 (DEVONIAN)	09144200	10235'-10255'

**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); TOKEEN (MISSISSIPPIAN); and BLOCK 4 (DEVONIAN) 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 August 03, 2017. This exception to SWR 10 will expire if not used within two (2) years from the date of this permit. This expiration date is September 15, 2019.

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](mailto: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 8/18/17

- (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.com

- (2) API#
- 42-461-40164
- Lease name & well #
- University Taylor Draw 31 #2

- (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;(g) Depth (SMC) 6436-9664'; (B4D) 10330';(h) Hydrogen sulfide status (SWR36) (SMC) is exempt from H2S filings. (B4D) & (TM) 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.)
- Opal Resources, Emerald #4902, API 461-39060, Docket 7C-0287859

- (5) Is this well currently on the Commission's schedule as a multi-completed well in the zones cited above?
- No
- 
- If not, explain well status in detail and indicate if Form W-1 has been filed for zones not on the schedule.
- Drill Permit 808688 covers all zones. W-2 submitted 6/20/2017

Indicate completion date of the subject well in each zone. 04/13/2017

- (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?
- N/A
- If so, state the Rule 37 case Number.
- N/A

- (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) 1850psi, (TM) 1200psi (SMC) 400psi(e) Drawdown pressure for each zone under producing conditions **without** commingling (BD4) 400psi, (TM) 400psi, (SMC) 400psi

- (10) Indicate estimated daily commingled production:
- (a) Gas: 70 MCF/day
  - (b) Oil/Condensate: 70 BBL/day
  - (c) Water: 10BBL/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. Wellbore schematic attached.
- (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. N/A See Item (4).
- (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) 50MBOE, (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.

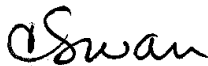
Filing instructions: File the original and any required attachments and fees with the Railroad Commission by hand delivery or mail to the following address:

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 31 Well #1)

Attachment: Wellbore schematic.

I, Connie Swan, certify that the above Offset Operators to this lease and well were notified of this application for exception to Statewide Rule 10 on May 2, 2016.

A handwritten signature in black ink, appearing to read "C Swan", is positioned above a horizontal line.

Connie Swan, Regulatory Administrator

2640'FWL and 1320' FNL  
Sec 31, Block 4, Abs U66

Opus Operating II, LLC  
University Taylor Draw 31-2

KBL: 2,809'  
GL: 2,792'

Upton Co, TX  
Permit # 808688  
Permit Date 02/19/2016  
Updated 07/11/2017

Drilled Wellbore  
API No. 42-461-40164  
P4:  
TD: 10410' PBTD: 10303'

Rod Pump: 10/21/2016  
First Prod: 08/09/2016  
Spud: 11/27/2016  
TD: 12/15/2016

