

PRESENTED AT

2016 Fundamentals of Oil, Gas and Mineral Law

April 14, 2016
Houston, Texas

**What You Need to Know
About the
Railroad Commission of Texas**

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WHAT YOU NEED TO KNOW ABOUT THE RAILROAD COMMISSION OF TEXAS

Day to day, the typical Texas oil and gas lawyer must have a working knowledge of basic Railroad Commission rules and requirements. Questions can come up when considering an operator's rule compliance, when leasehold or joint development documents reference or incorporate a rule or specification, or when information is needed for negotiations or for evidence at trial. This paper addresses common Railroad Commission topics of interest to the typical Texas oil and gas lawyer.¹

I. RRC JURISDICTION

A. Overview of RRC Jurisdiction and Authority

RRC jurisdiction extends to most of the in-the-field activities of upstream and midstream oil and gas operators in Texas. RRC jurisdiction over Texas oil and gas operators begins with the oil, gas, and water in underground geologic formations; continues through wells, gathering lines, pipelines, and underground storage; and ends as the oil and gas enter facilities downstream for refining, processing, and manufacturing. The RRC's authority over Texas oil and gas operators includes:

- oil and gas well drilling, completion, production, and abandonment;
- protection of water resources from oil and gas operations;
- oil and gas waste disposal and clean up;
- underground injection for:
 - disposal of salt water or other oil and gas waste,
 - secondary or enhanced recovery, and
 - storage of gas or liquid hydrocarbons;
- gathering line and pipeline design, installation, maintenance, and operation; and
- transportation and takes by intrastate gas utilities, common carriers, and common purchasers.

RRC jurisdiction over oil and gas operators in these subject areas comes from specific authority granted by enabling statutes in Chapters 81 through 111 of Texas Natural Resources Code and Chapter 27 of the Texas Water Code. Under these delegations of authority from the

¹ This is an update of a paper with the same title presented at the *2014 Fundamentals of Oil, Gas and Mineral Law*.

Legislature, the RRC has broad statutory authority to require operators to conduct oil and gas activities in ways that will prevent waste and protect correlative rights, and it also has authority to regulate operator activities to prevent pollution of surface water and groundwater. Also, as a state agency under the Texas Government Code,² the RRC has authority to conduct rulemaking proceedings to adopt rules of general applicability across the State and to conduct evidentiary hearings to enforce rules or to resolve specific disputes between competing parties.

In addition to its jurisdiction over the activities of Texas oil and gas operators, the RRC also has some limited jurisdiction over mineral property development in Texas:

- force pooling under the Mineral Interest Pooling Act;³
- approval of unitization agreements for secondary and enhanced recovery;⁴ and
- approval of operations sites and access for oil and gas development in real property subdivisions.⁵

B. RRC Statewide Rules

Most day-to-day interactions between the RRC staff and the typical oil and gas operator involve administrative processing of permits, approvals, and reports under authority of the RRC's Statewide Rules. These Statewide Rules are agency rules of general applicability that the RRC adopts in administrative rulemaking proceedings. Rulemaking involves proceedings that are similar in conduct and effect to the proposal of bills and adoption of statutes by the Legislature, with formal proposals published in the Texas Register, the opportunity for comments by interested parties and the public, and the potential for education and influence efforts by industry, by the public, and by individuals. The RRC Statewide Rules are published in the Texas Administrative Code, and a link to its rules and proposed rules is available on the RRC's webpage.⁶

C. Evidentiary Hearings at the RRC

The RRC also conducts contested case evidentiary hearings. These hearings are similar to non-jury trials. Notice is given to interested parties, who have an opportunity to appear in opposition or support at the hearing. If there is no opposition or dispute, the applicant presents evidence to support its request, and the hearings officers⁷ submit a report and recommended order to the Commissioners that is routinely adopted in a master order with numerous other

² TEX. GOVT. CODE §2001.001 et. seq.

³ TEX. NAT. RES. CODE §102.001 et. seq.

⁴ TEX. NAT. RES. CODE §101.001 et. seq.

⁵ Statewide Rule 76, 16 TAC § 3.76; TEX. NAT. RES. CODE §92.001 et. seq.

⁶ www.rrc.texas.gov

⁷ The RRC's hearing officers are geologists or engineers (Technical Examiners) or lawyers (Legal Examiners or Administrative Law Judges) employed by the Commission.

undisputed applications. If there is a dispute between the interested parties to an application, the contested case can be similar to a non-jury civil trial, with pre-hearing document discovery and depositions. At a disputed contested case hearing, the parties can offer sworn testimony subject to cross examination. Hearing officers consider the evidence and recommend to the Commissioners a proposal for decision, with a proposed final order and proposed findings of fact and conclusions of law. Then, the Commissioners consider the hearing officers' recommended proposal at an agency open meeting, along with written (and sometimes oral) arguments and comments from the parties. With three Commissioners, it takes two votes for the Commission to adopt a final order either accepting, rejecting, or modifying the recommendation.

1. Contested Cases for Special Field Rules. The RRC uses contested case procedures to adopt special field rules. Although called "rules," the RRC does not use rulemaking procedures to adopt special field rules. These special field rules apply to operator activities in a specific reservoir or geographic area that the RRC designates as a field. Most special field rules cover the following subject matters: (1) the top and base of the correlative geologic interval designated as the field, (2) the lease line spacing rule specifying the minimum distance from the well to property lines, (3) the between-well spacing rule specifying the minimum distance between wells on the same lease or pooled unit in the field, (4) the maximum diagonal rule specifying maximum distance between the two farthest points of the lease or pooled unit, and (5) the allocation formula for assigning production limits called "allowables" to wells in the field. Statewide Rule 43 specifies that the RRC will accept applications for temporary field rules after the first well is completed in the field and that temporary field rules will apply until permanent rules are adopted. Typically, the RRC will adopt temporary special field rules that apply for 18 months. The RRC will then review the temporary rules to compare the actual performance of the wells and determine whether any changes are appropriate. Operators can also request amendment of temporary or permanent special field rules to modify the rules to match the performance and development of the field.

2. Other Contested Cases. Some contested-case hearings involve competitive operations across a lease line or within a common reservoir – for example disputes between operators over a Rule 37 spacing exception permit or a Rule 38 density exception permit. Other contested case hearings involve an operator's allowable producing limits, or an application for a disposal well permit. The RRC also uses contested case hearing proceedings in enforcement cases to pursue operators for administrative penalties for violations of its rules and orders.

D. Limitations on RRC Jurisdiction

The RRC has limited jurisdiction in the following subject areas:

1. Property Rights and Contract Rights. The RRC lacks jurisdiction to resolve disputes over property rights or contracts. Those disputes are reserved to the jurisdiction of the District Courts, and RRC jurisdiction is limited to determining whether

an operator has a good faith claim to the property or contract right required for the requested permit or activity.⁸

2. Market Demand and Price. Although the RRC has authority to regulate the amount of oil and gas that operators can produce in Texas to meet market demand, it has not used that authority for most oil fields since the early 1970s, and it uses its authority to limit gas production to market demand in only a very few gas fields. It has no authority to regulate the price for sale and purchase of oil or gas.

3. Shared Subject Areas. Jurisdiction over some subject areas is shared and divided with other Texas state agencies. The RRC does not have jurisdiction over air pollution resulting from operators' oil and gas activities, (although it does have rule requirements that limit flaring and venting of gas by producing oil and gas wells⁹). With regard to water pollution, a detailed Memorandum of Understanding between the RRC and the TCEQ sorts out the scope of each agency's respective authority.¹⁰ A similar MOU with the Texas Department of State Health Services describes the limits of RRC jurisdiction over operator activities relating to naturally occurring radioactive material or NORM.¹¹

4. Railroads. Despite its name, the RRC no longer has jurisdiction over operators of railroads.

II. THE RRC DESIGNATED OPERATOR

The RRC broadly defines operator to include anyone doing anything within the RRC's jurisdiction:

Operator – A person, acting for himself or as an agent for others and designated to the commission as the one who has the primary responsibility for complying with its rules and regulations in any and all acts subject to the jurisdiction of the commission.¹²

⁸ *Magnolia Petroleum Company v. Railroad Commission*, 170 S.W.2d 189, (Tex. 1943). See also *Texas Rice Land Partners, LTD v. Denbury Green Pipeline Texas, LLC*, 363 S.W.3d 192, 198 (Tex. 2012); *Amarillo Oil Co. v. Energy-Agri Prods, Inc.*, 794 S.W.2d, 20, 26 (Tex. 1990).

⁹ Statewide Rule 32, 16 TAC § 3.32

¹⁰ Statewide Rule 30, 16 TAC § 3.30

¹¹ 16 TAC § 4.635

¹² Statewide Rule 78, 16 TAC § 3.78 (1).

The threshold requirement for becoming an operator is approval of the Form P-5 Organization Report.¹³ Attachment A contains a copy of Form P-5. This form requires disclosure of basic information to identify the operator, its business organization, and its officers and agents. When approved, the RRC assigns an operator identification number that is required for all RRC applications, permits, and reports.

Each operator must update its P-5 within 15 days if there are changes to the required information. An updated renewal is also required annually. The annual renewal will be blocked if the operator is in violation of RRC rules (for example, if the operator has a non-compliant inactive wellbore, an unresolved enforcement order, or an outstanding lease severance). Because the operator is unable to operate legally without an approved P-5, the annual renewal requirement encourages operators to comply with the rules.

Each operator must submit and maintain financial security in the form of a performance bond, letter of credit, or cash deposit for the purpose of assuring that the operator will plug and abandon wells and control, abate, and clean up pollution associated with its operations and activities.¹⁴ The base amount of financial security is \$25,000 for operators with 10 or fewer wells. It increases to \$50,000 for operators of 11 to 99 wells and to \$250,000 for operators with 100 or more wells.¹⁵ Additional amounts are required for operators of bay and offshore wells. These amounts are modest compared to the costs of plugging or pollution cleanup, and the financial security is not a limit on an operator's financial responsibility for plugging or pollution cleanup.¹⁶

When an operator files an application for a permit to conduct an operation within the RRC's jurisdiction, the RRC assumes that the operator has the ownership or contractual right to conduct those operations, and it does not require proof of the operator's ownership or contractual right unless a complaint is made from an interested party. In the event of a complaint that the operator lacks the ownership or other contractual right to operate, the RRC will require the operator to demonstrate that it has a good faith claim to the right to operate. If there is a dispute over the operator's alleged good faith claim, the RRC will conduct a contested case hearing. This can occur, for example, when a new operator wants to permit a well on new leasehold covering a prior operator's lease or wellbore. The RRC will take the position that the parties must go to the courthouse to resolve their underlying leasehold dispute, but it can issue a permit based on proof of the requisite good faith claim.

¹³ Statewide Rule 1, 16 TAC § 3.1 provides: “[N]o organization, including any person, firm, partnership, joint stock association, corporation, or other organization, domestic or foreign, operating wholly or partially within this state, acting as principal or agent for another, for the purpose of performing operations within the jurisdiction of the Commission shall perform such operations without having on file with the Commission an approved organization report and financial security as required by Texas Natural Resources Code §§91.103 - 91.1091.”

¹⁴ 16 TAC § 3.78(h) (Statewide Rule 78(h) provides: “Any bond, letter of credit, or cash deposit required under this section is subject to the conditions that the operator will plug and abandon all wells and control, abate, and clean up pollution associated with the oil and gas operations and activities covered under the required financial security in accordance with applicable state law and permits, rules, and orders of the Commission. . . .”

¹⁵ 16 TAC § 3.78(g) (Statewide Rule 78(g).

¹⁶ 16 TAC § 3.78(k) (Statewide Rule 78(k).

III. THE RRC DESIGNATED FIELD

A field is a geologic correlative depth interval and geographic area that the RRC regulates as a single underground oil or gas resource. The RRC designates the correlative geologic depth interval for each field, either in the approval of a new field designation or as a special field rule for the field. In some instances, the RRC designates the geographic area for a field – an RRC District or specific counties. Other fields, however, do not specify a geographic area, and in those instances, the geographic area will depend on the decisions of individual operators. As fields grow together, the RRC can consolidate fields.

A field designation excerpted from the special field rules for the Briscoe Ranch (Eagleford) Field is highlighted in Attachment B.

Statewide Rule 41 specifies the requirements for designation of a new field. Attachment C contains a copy of Form P-7, the New Field Designation and/or Discovery Allowable Application form. The instructions list the information needed to demonstrate that the new field is a separate field from other fields or intervals in the vicinity. Notice is provided to operators in other fields within 2 1/2 miles to provide an opportunity for those operators to object to the new field.

IV. THE LEASE OR POOLED UNIT

The lease is the acreage designated by the operator to obtain a well permit. The operator submits a plat showing the boundaries of the lease. For oil wells, the RRC assigns an identification number to the lease for the initial well, and that lease number is also used for subsequent wells. For gas wells, the RRC assigns an identification number to each gas well.

The configuration of the lease is up to the operator. Typically, the RRC lease will be identical to the leasehold tract. An operator, however, can elect to include in the RRC lease only part of the acreage in an oil and gas leasehold. This might occur when a leasehold includes multiple tracts, but the operator elects to identify tracts separately for RRC purposes. It can also occur when less than all of the acreage in a leasehold will be earned and assigned under a farmout agreement, so that the operator is entitled to designate as its RRC lease only a portion of the larger leasehold acreage.

A tract might be owned in fee, but the RRC will still refer to it generally as a lease. This results in lease names like the “Jones Fee Lease.”

The lease tract is designated by the operator for each field. In multiple pay areas, the lease configuration may change from field to field with depth. In some situations, this change with depth can occur within a single wellbore.

The operator can elect to change the size and shape of a lease by either adding or reducing acreage. This can result from a farmout or assignment of a portion of the leasehold included in a lease. In some instances, the change is shown when permitting subsequent wells, and in other instances a Form P-6 is used to show the “before” and “after” configurations. Re-

permitting will be necessary if the changed lease acreage falls to below the minimum specified by the unit rule. Re-permitting may also be necessary if the change renders the well too close to a property line, although in some instances the Railroad Commission has applied a policy of once-legal-always-legal when tract changes reduce a lease line distance for an existing well below the minimum distance specified by the spacing rule.¹⁷

An operator can elect to combine several tracts into a pooled unit for permitting a well. The operator need not have actually formed or declared the pooled unit; it need only have the authority to do so. This allows the operator to permit a well on a proposed pooled unit and to delay actual formation of the proposed pooled unit until the well is successfully completed. The operator must identify the tracts to be included in the pooled unit on Form P-12. A copy of Form P-12 is included in Attachment H. An operator can include a tract in which the operator has only a partial undivided interest, but it must identify that partial interest tract on the Form P-12, and it must specify whether the outstanding interest is unleased, unpooled, or both. Additionally, the boundaries of that partial interest tract will be internal property lines for compliance with the lease line spacing rule.

Normally, the acreage in a lease or pooled unit must be contiguous. The RRC staff interprets Statewide Rule 39 to require an exception for separate acreage that does not touch at least at one point. The RRC requires contiguous acreage because non-contiguous tracts cause difficulty with reporting of production and with enforcement of RRC rules.

V. THE WELL

A. Oil Well or Gas Well?

The dividing line between classification as an oil well or as a gas well is the producing gas oil ratio of 100,000 cubic feet of gas to one barrel of oil.

In general, to qualify as an oil well, for each barrel of crude oil the well must produce 100,000 cubic feet of gas or less.¹⁸ And, to qualify as a gas well, for each barrel of crude oil the well must produce more than 100,000 cubic feet of gas.¹⁹

Some wells can be difficult to classify as either oil or gas, for example if the reservoir produces a retrograde condensate or if the gas condenses into a liquid as it comes up the wellbore. The RRC definitions in Statewide Rule 78(11)(C) state that “the term ‘crude petroleum oil’ shall not be construed to mean any liquid hydrocarbon mixture or portion thereof which is not in the liquid phase in the reservoir, removed from the reservoir in such liquid phase, and obtained at the surface as such.” An operator can submit technical data to show that liquids recovered at the surface were in the gas phase in the reservoir.

¹⁷ The once-legal-always-legal application of the spacing rule has come under criticism and may not be available under recent interpretations supported by the RRC legal staff.

¹⁸ Statewide Rule 79(18), 16 TAC § 3.79.

¹⁹ Statewide Rule 79 (11), 16 TAC § 3.79.

Some wells can change producing gas oil ratio over time. In these situations, the RRC will advise the operator that it must submit evidence to support the classification of the well, and if there is no justification contrary to the producing ratio, the RRC will re-classify the well.

In some situations, operators have obtained orders for permanent gas well classification, either for individual wells, for all the wells in a field, or for all the wells above a certain reduced producing gas-oil ratio in a field.²⁰ These orders for permanent gas well classification have relied on technical evidence proving that liquids recovered at the surface from those wells originated as gas in the reservoir.

B. Well Permits

Every oil or gas well must have a permit.²¹ The operator must obtain the permit approval before drilling commences.²² A drilling permit expires two years after the date of approval.²³

To obtain a permit, the operator must comply with the spacing and unit rules applicable to the target field for completion of the well at the time that the operator spuds the well. For fields under Statewide Rules for which no special field rules have been adopted, the minimum spacing rule requirements are 467 feet from property lines and 1,200 feet between wells in the same field on the same lease or pooled unit,²⁴ and the minimum acreage requirement is 40 acres.²⁵ Special field rules often specify larger minimum unit sizes and spacing distances. Special field rules can also specify optional unit sizes, usually a fraction of the largest unit size specified for the field. Attachment I contains copies of drilling permit application Forms W-1, W-1D, W-1H, and W-1A.

An operator can request an exception permit under Rule 37 for a well that is closer to a property line than required by the spacing rule and under Rule 38 for a well with less acreage than required by the unit or density requirements. In either case, notice of the application for the exception is sent to operators or unleased owners in adjoining tracts to give those interested parties 21-days to protest the exception permit and to request a hearing. If a protest is filed, the RRC will schedule a contested case hearing at which the operator will have the burden of proving that the requested spacing or density exception is necessary to prevent waste or to protect correlative rights.

The RRC enforces a voluntary subdivision rule to prevent tracts from being subdivided into smaller tracts just to obtain multiple well permits. If a tract is substandard acreage under the applicable unit rule requirements, the operator must show that the tract was in that size and shape

²⁰ For example, Fulshear, S. (Cons) Field (in Oil and Gas Docket No. 03-0261171, June 18, 2009) and Newark, E (Barnett Shale) Field (in Oil and Gas Docket No. 09-0277581, December 11, 2012).

²¹ Statewide Rule 5(a), 16 TAC § 3.5.

²² Statewide Rule 37(f), 16 TAC § 3.37.

²³ Statewide Rule 5(g), 16 TAC § 3.5.

²⁴ Statewide Rule 37(a)(1), 16 TAC § 3.37.

²⁵ Statewide Rules 37(b) & 38(b)(2)(A), 16 TAC § 3.37 & 3.38.

before the “date of attachment” when the rule became effective for the tract, or the operator must show that an exception for the well is required to prevent waste. For a permit on substandard acreage tract, the permit application must include a Form W-1A to show the date that the tract took its current size and shape. A copy of Form W-1A is included in Attachment I.

C. Horizontal Wells

Statewide Rule 86 defines the horizontal drainhole as the portion of the wellbore drilled in the correlative interval, between the penetration point and the terminus,²⁶ and it applies the leaseline and between-well spacing requirements to all points along the horizontal drainhole.²⁷

Statewide Rule 86 also allows operators to assign additional acreage to a horizontal well, based on the length of the horizontal drainhole displacement,²⁸ and to receive additional allowable for that added acreage.²⁹

In some unconventional fields, the RRC adopted special field rules to facilitate horizontal development. For example, Attachment D contains an excerpt from the Briscoe Ranch (Eagleford) field rules highlighting the “take-point” spacing rule, the off tract penetration point rule, the no perforation zone or “NPZ” rules, and the box rule. As another example, in the Spraberry (Trend Area) Field, the RRC amended the special field rules to allow the same acreage to be double-assigned simultaneously to vertical and horizontal wells so vertical and horizontal wells are considered separately for spacing, density, and assignment of proration acreage; to allow reduced notice and proof for limited density exceptions; and to allow multiple stacked laterals to be produced as a single well.

In January of 2016, the Commission amended its Statewide Rules to adopt “UFT” rules for Unconventional Fracture Treated fields. These UFT rules incorporate most of the rule provisions previously adopted by special field rules in specific fields for horizontal drilling and production. A UFT field is defined as a field designated by the Commission for which horizontal well development and hydraulic fracture treatment must be used to recover resources from all or part of the field.³⁰ To qualify for designation as a UFT field, there must be data or analysis indicating that part of the field has very limited permeability, and there must be a minimum number of horizontal wells completed with hydraulic fracture treatment.³¹ The Commission may designate UFT fields on its own motion, or an operator may propose designation.³² Attachment J contains a copy of the RRC’s adoption of the UFT rules. If special field rules conflict with the statewide UFT rules, the special field rules prevail.³³

²⁶ Statewide Rule 86(a), 16 TAC § 3.86.

²⁷ Statewide Rule 86(b)(1)&(2), 16 TAC § 3.86.

²⁸ Statewide Rule 86(d), 16 TAC § 3.86.

²⁹ Statewide Rule 86(d)(5), 16 TAC § 3.86.

³⁰ Statewide Rule 86(a)(13), 16 TAC § 3.86.

³¹ Statewide Rule 86(i)(1), 16 TAC § 3.86.

³² Statewide Rule 86(i)(2), 16 TAC § 3.86.

³³ Statewide Rule 86(j)(1), 16 TAC § 3.86.

VI. RRC ASSIGNMENT OF PRODUCTION ALLOWABLES

An allowable is the amount of oil or gas that an operator is allowed to produce from a well under RRC rules. Generally, there is no limit on water production by an oil or gas well.

A. Oil Well Allowables

Under Statewide Rules, the allowable of an oil well is set by yardstick tables that determine the daily amount of oil that a well can produce based upon the depth of the field. The deeper the field, the more expensive to drill and produce, so the greater the allowable. New fields are assigned higher discovery allowables to encourage exploration and to allow faster recoupment of initial exploration costs. Offshore fields are also assigned higher allowables to allow recoupment of higher costs.

Statewide Rule 42 sets the discovery oil allowable. The discovery oil allowable is effective for oil wells in newly designated fields for two years (3 years if the field is deeper than 10,000) or until the 11th oil well is completed in the field.

Statewide Rule 45 sets the yardstick oil allowable after the discovery allowable expires. Unless modified by Special Field Rules, oil wells in fields discovered after 1965 or later receive oil allowables under the 1965 Yardstick Allowable according to the depth of the field and the proration unit size. Oil wells in fields with earlier discovery dates received oil allowables under the 1947 Yardstick. There is also a separate yardstick for offshore oil fields.

In addition to the oil yardstick, the RRC applies a penalty gas oil ratio rule. The applicable yardstick determines the top allowable for oil wells in a field, and the top allowable is then reduced by a producing gas oil ratio limit on high ratio wells. Under Statewide Rule 49, oil wells are permitted to produce at a gas oil ratio up to 2,000 cubic feet of gas per barrel of top allowable. This gas oil ratio limit is called the penalty gas limit. Oil wells that can produce at gas oil ratios of two thousand cubic feet of gas per barrel or less are permitted to produce the entire top oil allowable. But oil wells that produce at a higher gas oil ratio are limited to the penalty gas limit, and the allowable oil production is reduced below the top oil allowable rate. This penalty gas limit is intended to keep gas in the reservoir in order to optimize the production of oil.

Under Statewide Rule 86, horizontal oil wells can receive increased oil allowable. The oil allowable for a horizontal drainhole well can be increased by assigning additional acreage based on the length of horizontal drainhole displacement.³⁴ In a designated UFT field under Statewide Rules, the maximum daily allowable for a horizontal oil well is 100 barrels of oil for each acre assigned to the well.³⁵

³⁴ Statewide Rule 86(d)(1), 16 TAC § 3.86.

³⁵ Statewide Rule 86(d)(5), 16 TAC § 3.86.

Oil wells with limited capability to produce are defined as Marginal Wells under Statewide Rule 78(15) and are exempt from the yardstick oil allowable limitations under Statewide Rule 45.

Waterflood and other secondary or enhanced recovery wells can qualify for increased oil allowables in response to injection operations.

Operators sometimes obtain MER (Maximum Efficient Rate) allowables, Net GOR allowables, or other special allowables for wells that should produce at higher than normal allowable rates in order to prevent waste – for example, if liquid production causes a well to load and die if the production rate is restricted to the yardstick allowable or the penalty gas oil ratio limit. These allowables are set by RRC order based on evidence presented in a contested case proceeding. These special orders can be obtained for individual wells, and are also sometimes obtained on a field-wide basis for all wells in a field. As an example of a recent RRC allowable order adopted to match the particular conditions in a specific field, Attachment E contains an excerpt from the special field rules for the Briscoe Ranch (Eagleford) Field for which the RRC has ordered a special allowable daily rate for oil wells in the field, instead of the allowables that would otherwise apply under Statewide Rules.

Although oil well allowables are assigned to each well, oil production is reported by oil lease. Therefore, it is not possible to track the production of an individual oil well in RRC records unless that well is the only well producing on the lease.

B. Gas Well Allowables

Gas wells in most non-associated gas fields in Texas can be produced without allowable limitation under AOF (“Absolute Open Flow”) allowables. A non-associated gas field is a field without any oil wells. In these fields, the allocation formula has been suspended because there is a market demand for all the gas and, therefore, no need for prorated allowables to divide the market demand among the wells in the field. Over the last two decades, the assignment of AOF allowables under suspended allocation formulas has resulted from the generally high market demand for gas and the generally high availability of gathering line and pipeline transportation. With proof of these conditions for a non-associated gas field, the RRC suspends the allocation formula (set either by Statewide Rule 28 or by special field rules) and allows those gas wells to produce to the market without limitation. However, under the rules, if conditions were to change so that the market or transportation facilities could not take all the gas from a field, then the RRC retains the authority to reinstate the allocation formula for that field and assign market demand allowables.

Under Statewide Rule 86, horizontal gas wells can receive increased gas allowable. The gas allowable for a horizontal drainhole well can be increased by assigning additional acreage based on the length of horizontal drainhole displacement.³⁶ In a designated UFT field under Statewide Rules, the maximum daily allowable for a horizontal gas well is 600 Mcf of gas for each acre assigned to the well.³⁷

³⁶ Statewide Rule 86(d)(1), 16 TAC § 3.86.

³⁷ Statewide Rule 86(d)(5), 16 TAC § 3.86.

Gas wells in oil fields are assigned restricted allowables under Statewide Rule 49(b) based on the equivalent reservoir voidage permitted for a top allowable oil well in the field. This is intended to retain gas in the oil reservoir in order to optimize oil recovery. In some fields where gas wells can be shown to drain large areas, special rules or orders can be obtained to allow a single gas well to receive multiple 49(b) allowables. In unconventional fields, operators have obtained special rules that allow gas wells to produce without allowable limitations by proving that the retention of gas in the field is unnecessary to optimize oil recovery.

C. Proration Units

Although the RRC proration unit was important historically for determining allowables, modern allowable assignments involve only minimal proration and most often are not based on acreage assignments, so proration units are much less common. This can be important for oil and gas leasehold documents that refer to RRC proration units in pooling or retained acreage provisions. For gas wells with AOF allowables, there often is no requirement that the operator file a proration unit. In fields with special field rules, it is common to adjust the proration unit requirement to specify only the amount of acreage assigned to a well, but not a plat showing the specific acreage assigned. This can result in difficulties when attempting to apply a leasehold document that requires reference to the acreage assigned to a proration unit.

VII. DISPOSAL WELLS

The RRC issues permits to operators for disposal wells in non-productive formations under Statewide Rule 9³⁸ and in productive formations under Statewide Rule 46.³⁹ For a disposal well permit under either rule, the operator must demonstrate that groundwater will be protected from pollution, that the proposed disposal formation is geologically isolated from freshwater, that the disposal well will be cased and cemented to prevent harmful migration into freshwater or out of the disposal zone, and that surrounding wellbores will not be conduits for migration into fresh water. Both rules specify requirements for (1) permit applications, (2) notice and opportunity for contested case hearings on protested applications, (3) disposal well equipment, including tubing and packer, (4) periodic mechanical integrity testing, (5) recordkeeping and monitoring and reporting of pressures and disposal volumes, and (6) modification, suspension, and termination of permits.

Unlike the RRC regulations for producing oil and gas wells, the RRC has no minimum spacing or acreage requirements for disposal wells, and it does not set allowables for disposal volumes. Disposal well permits, however, do specify the maximum surface injection pressure and the maximum daily injection rate, as well as the permitted types of fluids and the top and bottom of the permitted disposal interval.

The RRC requires that each disposal formation be isolated and separated from fresh water by impermeable geologic strata. As part of this requirement, each disposal well applicant must obtain two determinations from the RRC's Groundwater Advisory Unit. First, the operator must obtain the Groundwater Advisory Unit's determination of the depth to which useable

³⁸ 16 TAC § 3.9.

³⁹ 16 TAC § 3.46.

quality water must be protected by cemented surface casing.⁴⁰ Second, the operator must obtain a “no-harm” letter from the Groundwater Advisory Unit, stating its determination that the proposed injection will not endanger useable quality groundwater. These two determinations by the Groundwater Advisory Unit set the depth of fresh water resources that must be protected.

In approving a disposal well permit, the RRC requires that the disposal formation will be isolated from overlying fresh water resources (at the depths identified by the Ground Water Advisory Unit) by impermeable strata of sufficient thickness to prevent upward migration of fluid from the permitted disposal interval. The RRC staff generally requires isolation by at least an accumulative 250 feet of clay or shale, although the staff may also consider the continuity and thickness of the clay and shale intervals and the presence of other impermeable geologic intervals. Additionally, the RRC staff considers any faults, fractures, structure, or other geologic factors that might impact isolation of the proposed disposal interval from fresh water resources.

The RRC also specifies a maximum surface injection pressure as a condition in every disposal well permit. The RRC’s maximum pressure limit serves two purposes. First, the maximum pressure prevents the injection of disposal fluid from exceeding the formation fracture pressure and initiating formation fractures that might become conduits for movement of fluid from the designated disposal interval into fresh water resources. Second, the maximum pressure limit prevents pressures from exceeding the protective capability of wellbore casing and cement so that the disposal well and any neighboring wellbores do not become conduits for movement of fluid from the disposal interval into fresh water.

For disposal wells in most areas of the state, the RRC sets the upper limit for maximum surface injection pressure at 0.5 psi per foot of depth to the top of the authorized disposal interval. To obtain a higher maximum surface pressure, the RRC requires the operator to perform a step-rate pressure test to demonstrate that the higher pressure does not exceed the fracture pressure of the formations that isolate the disposal zone. Additionally, the rules require monthly monitoring of surface injection pressure and injection volume, with annual reporting of those monitoring results for each year on Form H-10. Also, before injection operations begin, each disposal well must pass a mechanical integrity test (“MIT”) to establish that there are no leaks in the wellbore tubing, packer, and casing. The MIT must be repeated after any workover operation that disturbs the seal between the wellbore tubing, packer, and casing, and must be repeated at least once every five years. Additionally, the operator must report any indication of a down hole wellbore leak to the RRC district office within 24 hours.

The rules require that an applicant for a new disposal well permit submit information to show whether the proposed disposal well would be in an area of prior recorded earthquake activity. Rules 9 and 46 provide:

The applicant for a disposal well permit under this section shall include with the permit application a printed copy or screenshot showing the results of a survey of information from the United States Geological Survey (USGS) regarding the

⁴⁰ The operator must submit and obtain approval of Form GW-2, which is commonly referred to as a “surface casing letter” or a “water board letter.”

locations of any historical seismic events within a circular area of 100 square miles (a circle with a radius of 9.08 kilometers) centered around the proposed disposal well location.⁴¹

If there is no record of earthquake activity in the area of the proposed disposal well (which is the case in most of Texas), then nothing further would likely be required in connection with the application. On the other hand, if the disposal well would be in an area of seismic activity, then the amended rules specify that the RRC may require additional information from the applicant:

The commission may require an applicant for a disposal well permit under this section to provide the commission with additional information such as logs, geologic cross-sections, pressure front boundary calculations, and/or structure maps, to demonstrate that fluids will be confined if the well is to be located in an area where conditions exist that may increase the risk that fluids will not be confined to the injection interval. Such conditions may include, but are not limited to, complex geology, proximity of the basement rock to the injection interval, transmissive faults, *and/or a history of seismic events in the area as demonstrated by information available from the USGS.*⁴²

The RRC staff can be expected to request additional information whenever there has been significant earthquake activity in the vicinity of a proposed disposal well.

In addition to the requirements for new disposal well permits, Rules 9 and 46 were amended to include seismic activity in the list of events that can trigger RRC action to modify or cancel an existing permit:

A permit for saltwater or other oil and gas waste disposal may be modified, suspended, or terminated by the commission for just cause after notice and opportunity for hearing, if:

- (i) a material change of conditions occurs in the operation or completion of the disposal well, or there are material changes in the information originally furnished;
- (ii) freshwater is likely to be polluted as a result of continued operation of the well;
- (iii) there are substantial violations of the terms and provisions of the permit or of commission rules;
- (iv) the applicant has misrepresented any material facts during the permit issuance process;

⁴¹ 16 TAC § 3.9(3)(B) and 16 TAC § 3.46(b)(1)(C).

⁴² 16 TAC § 3.9(3)(C) and 16 TAC § 3.46(b)(1)(D) (*emphasis* added).

(v) injected fluids are escaping from the permitted disposal zone;

(vi) injection is likely to be or determined to be contributing to seismic activity; or

(vii) waste of oil, gas, or geothermal resources is occurring or is likely to occur as a result of the permitted operations.⁴³

These rules changes make clear that the RRC can pursue earthquake issues for existing disposal permits, and sets a standard of “is likely or determined to be contributing” to earthquake activity. In two Commission-called hearings conducted in 2015, the Commission considered whether disposal well injection contributed to seismic activity near the cities of Reno and Azle, Texas.⁴⁴ In each docket, the Commission determined that the evidence did not support a finding that disposal injection in question is likely to be or determined to be contributing to seismic activity.

Attachment F contains a copy of Form W-14 for disposal of oil and gas waste by injection into a formation not productive of oil and gas. Attachment G contains a copy of Form H-1 & H-1A for injection into a formation productive of oil or gas.

VIII. GATHERING LINES AND PIPELINES

A. RRC Statewide Rule 70

The RRC requires that every pipeline and gathering system line obtain an operating permit. Under RRC Statewide Rule 70:

Each operator of a pipeline or gathering system, other than a production flow line that does not leave a lease or an operator excluded under §8.1(b)(4) of this title relating to General Applicability and Standards, subject to the jurisdiction of the Commission, shall obtain a pipeline permit, renewable annually, from the Commission as provided in this rule.⁴⁵

B. RRC Form T-4 - *Application for Permit to Operate a Pipeline in Texas*

To obtain a pipeline permit, the operator must complete the Form T-4. The form requires basic identifying information, including a map showing the location and diameter of the pipeline and the type of hydrocarbons to be transported. The operator must specify whether the line is

⁴³ 16 TAC § 3.9(6) and 16 TAC § 3.46(d) (*emphasis* added).

⁴⁴ Oil and Gas Docket No. 09-0296411; Commission-Called Hearing, XTO Energy Inc., West Lake SWD Well No. 1, Newark, East (Barnett Shale) Field, Parker County, Texas; Oil and Gas Docket No. 09-0296410; Commission-Called Hearing, EnerVest Operating LLC, Briar Lease, Well No. 1, Coughlin (Strawn) Field, Parker County, Texas.

⁴⁵ 16 TAC § 3.70(a).

interstate or intrastate, whether the line is to be operated as a private line, common carrier, or gas utility, whether the line uses any public highway or other common carrier or utility right of way, whether the line will transport gas or liquids purchased from others, and whether the line is a transmission, gathering, private, or other type of line. The operator must submit an updated Form T-4 annually, or whenever there is a modification of the line, such as an extension, abandonment, or transfer.

C. Access to Pipelines - Connection

The RRC has statutory authority to order a common carrier to extend a pipeline or gathering system in order to provide access to transportation:

[T]he commission may authorize or require by order any common carrier owning or operating pipelines in this state or owning, operating, or managing crude petroleum storage tanks or facilities for the public for hire, to extend or enlarge those pipelines or storage facilities if the extension or enlargement is found to be reasonable and required in the public interest and the expense involved will not impair the ability of the common carrier or public utility to perform its duty to the public.⁴⁶

Similarly, the RRC has authority with regard to common purchasers to “make inquiry in each field concerning the connection of various producers.”⁴⁷ If the RRC finds that a common purchaser is discriminating in takes of lease crude oil or natural gas, the RRC has authority to “issue an order to the common purchaser to make any reasonable extensions of its lines, reasonable connections, and ratable purchases that will prevent the discrimination.”⁴⁸

Statewide Rule 72 specifies that a producer can request the RRC to require a common carrier pipeline or gathering line connection in two specific circumstances: (1) if the line is operated by a common carrier that is affiliated with a common purchaser and (2) if the line is the only pipeline serving the particular field or common reservoir.⁴⁹ The rule also reserves the RRC’s statutory jurisdiction to consider requests for pipeline connection to prevent discrimination by common purchasers.⁵⁰ Under Rule 72, if the common carrier refuses to connect, the RRC will consider the application at hearing, and the rule specifies that the RRC may consider, “among other factors, evidence relating to ability of the pipeline carrier to

⁴⁶ TEX. NAT. RES. CODE § 111.137.

⁴⁷ TEX. NAT. RES. CODE § 111.091.

⁴⁸ TEX. NAT. RES. CODE § 111.091.

⁴⁹ 16 TAC § 3.72(a).

⁵⁰ 16 TAC § 3.72(b) provides “It is not its intention to limit, nor does the commission herein limit, the consideration by it of any facts with respect to a claim of violation of, or of any facts that may constitute a cause of action for violation of, any of the provisions of Texas Natural Resources Code, §§ 111.001-111.136, whether enumerated in this Section or not.”

transport the quality of oil, the market or lack of market for the proffered oil, and the period required to return the capital investment for the connection.”⁵¹

D. Access to Pipelines - Disconnection

A common carrier may not abandon a producer’s pipeline connection without consent of the owner of the well or approval of the RRC.

No common carrier may abandon any of its connections or lines except under authority of a permit granted by the commission or with written consent of the owner or duly authorized agent of the wells to which connections are made.⁵²

This specific authority over abandonment of service by a common carrier is in addition to the RRC’s broad authority to require lease and well connections by common purchasers and common carriers.⁵³

Statewide Rule 73 governs physical disconnection of crude oil or natural gas pipeline facilities from wells or leases:

No pipeline operator shall physically disconnect its facilities from or cease providing pipeline services to any well or lease without first obtaining:

- (1) written consent of the well or lease operator for the proposed disconnect or termination; or
- (2) written permission from the Commission. This section does not apply to temporary suspensions of service authorized under other rules in this title or attributable to maintenance, safety, or product quality issues.⁵⁴

If a pipeline is unable to obtain consent from the lease or well operator, Rule 73 specifies an administrative procedure for obtaining RRC approval after notice to the operator. If the operator objects, Rule 73 specifies the factors that the RRC will consider at hearing:

In determining whether or not to approve a request to physically disconnect from or cease providing service to a well or lease, the Commission may consider relevant factors, including but not limited to:

⁵¹ 16 TAC § 3.72.(b).

⁵² TEX. NAT. RES. CODE § 111.025.

⁵³ TEX. NAT. RES. CODE § 111.091.

⁵⁴ 16 TAC § 73(b).

- (A) operational integrity of the pipeline facilities;
- (B) operational integrity of the equipment on the well or lease;
- (C) cost of continued operation of the physical connection or service;
- (D) risk to public safety, human health and the environment;
- (E) availability of alternative transportation;
- (F) protection of correlative rights; and
- (G) prevention of waste.⁵⁵

E. Anti-Discrimination Requirements - Common Carriers

A common carrier must receive and transport lease crude oil without discrimination.⁵⁶ All common carrier activities are subject to statutory requirements specifying that similarly-situated shippers must be treated similarly:

A common carrier in its operations as a common carrier shall not discriminate between or against shippers with regard to facilities furnished, services rendered, or rates charged under the same or similar circumstances in the transportation of crude petroleum.⁵⁷

The anti-discrimination requirements for rates and charges are broadly described:

No common carrier in its operations as a common carrier may charge, demand, collect, or receive either directly or indirectly from anyone a greater or lesser compensation for a service rendered than from another for a like and contemporaneous service.⁵⁸

Additionally, a common carrier is expressly banned from discrimination in favor of its own crude oil, either produced or purchased:

A common carrier shall not discriminate in the transportation of crude petroleum produced or purchased by itself directly or indirectly.⁵⁹

⁵⁵ 16 TAC § 73(c)(4).

⁵⁶ TEX. NAT. RES. CODE § 111.015.

⁵⁷ TEX. NAT. RES. CODE § 111.016(a).

⁵⁸ TEX. NAT. RES. CODE § 111.017.

⁵⁹ TEX. NAT. RES. CODE § 111.016(b).

To avoid any doubt with regard to the common carrier's owner purchased or produced crude oil, the common carrier is expressly deemed to be a "shipper" for purposes of the anti-discrimination requirements:

In this connection, a pipeline is a shipper of the crude petroleum produced or purchased by itself directly or indirectly and handled through its facilities.⁶⁰

The anti-discrimination duties also extend to line capacity and curtailment. If common carrier's line is capacity-limited and there is more lease crude oil than can be transported, the common carrier must curtail shippers equitably:

If more crude petroleum is offered for transportation by a common carrier than can be transported immediately, it shall be apportioned equitably, and the commission may make and enforce general or specific rules for equitable apportionment.⁶¹

A common carrier, however, is not required to carry more than 3,000 barrels per day for any shipper.⁶²

F. Anti-Discrimination Requirements - Gas Utilities

A gas utility must receive and transport natural gas without discrimination, and similarly-situated shippers must be treated similarly. A pipeline gas utility may not:

directly or indirectly charge, demand, collect, or receive from anyone a greater or lesser compensation for a service provided than the compensation charged, demanded, or received from another for a similar and contemporaneous service.⁶³

G. Common Purchasers

A common purchaser of either lease crude oil or natural gas must purchase without discrimination in the same field, and without unjust or unreasonable discrimination between fields.

A common purchaser shall purchase oil offered to it for purchase without discrimination in favor of one producer or person against

⁶⁰ TEX. NAT. RES. CODE § 111.016(c).

⁶¹ TEX. NAT. RES. CODE § 111.142.

⁶² TEX. NAT. RES. CODE § 111.024.

⁶³ TEX. UTILITIES CODE § 121.104(a)(2).

another producer or person in the same field and without unjust or unreasonable discrimination between fields in this state.⁶⁴

Additionally, a common purchaser is expressly prohibited from favoring transportation of its own crude oil, either produced or purchased:

No common purchaser may discriminate between or against crude oil or petroleum of a similar kind or quality in favor of its own production, or production in which the common carrier may be directly or indirectly interested in whole or part.⁶⁵

Also, a common purchaser may not discriminate in purchases of oil or gas from royalty owners.⁶⁶

With regard to transportation of natural gas, the Railroad Commission's Rule 34 specifies the manner in which common purchasers must apportion capacity during curtailments.⁶⁷ Rule 34 also assigns priorities to transportation of different categories of gas.⁶⁸ Although the vast majority of gas is no longer subject to the Commission's allowable and proration system, in the event of pipeline transportation curtailment, including curtailment due to line capacity limitations, the priority system established by Rule 34 would apply.

H. Code of Conduct

With regard to natural gas from leases and wells, the RRC's Natural Gas Transportation Standards and Code of Conduct specifies standards for non-discriminatory transportation by gas pipelines and gathering systems:

The purpose of this section is to specify standards of conduct governing the provision of gas transportation services in order to prevent discrimination prohibited by the Common Purchaser Act, Texas Natural Resources Code, § 111.081, et seq.; the Texas Utilities Code, Titles 3 and 4, which if violated, as found by the Commission, may constitute evidence of unlawful discriminatory activity. Any exemptions provided in this rule do not diminish statutory prohibitions against discrimination.⁶⁹

The Code of Conduct outlines the basic obligations for treating similarly-situated shippers in a similar matter:

⁶⁴ TEX. NAT. RES. CODE § 111.086(a).

⁶⁵ TEX. NAT. RES. CODE § 111.087(a).

⁶⁶ TEX. NAT. RES. CODE § 111.089(a).

⁶⁷ 16 TAC § 3.34(f) and (g).

⁶⁸ 16 TAC § 3.34(i).

⁶⁹ 16 TAC § 7.7001(a).

A transporter that provides transportation services for any shipper (including affiliate shippers) shall:

- (1) apply any tariff or contract provision for transportation services which provides for discretion in the application of the provision in a similar manner to similarly-situated shippers;
- (2) enforce any tariff or contract provision for transportation services if there is no discretion stated in the tariff or contract in the application of the provision in a similar manner to similarly-situated shippers;
- (3) not give any shipper preference in the provision of transportation services over any other similarly-situated shippers;
- (4) process requests for transportation services from any shipper in a similar manner and within a similar period of time as it does for any other similarly-situated shipper; and maintain its books of account in such a fashion that transportation services provided to an affiliate can be identified and segregated.

With regard to determining whether shippers are “similarly-situated,” the Commission defines the term with broad and comprehensive language:

Similarly-situated shipper – Any shipper that seeks or receives transportation services under the same or substantially the same, physical, regulatory, and economic conditions of service as any other shipper of a transporter.⁷⁰

In addition, the RRC lists 13 factors to be evaluated in determining whether the conditions of transportation service are the same:

In determining whether conditions of service are the same or substantially the same, the Commission shall evaluate the significance of relevant conditions, including, but not limited to, the following:

- (A) service requirements;
- (B) location of facilities;
- (C) receipt and delivery points;
- (D) length of haul;
- (E) quality of service (firm, interruptible, etc.);
- (F) quantity;

⁷⁰ 16 TAC § 7.115 (32).

- (G) swing requirements;
- (H) credit worthiness;
- (I) gas quality;
- (J) pressure (including inlet or line pressure);
- (K) duration of service;
- (L) connect requirements; and
- (M) conditions and circumstances existing at the time of agreement or negotiation.⁷¹

The RRC broadly defines the term “transporter”:

Transporter – Any common purchaser of gas, gas utility, or gas pipeline that provides gas gathering and/or transmission transportation service for a fee.⁷²

The RRC also applies a broad definition to the term transportation service:

Transportation service – The receipt of a shipper’s gas at a point or points on the facilities of a transporter, and redelivery of a shipper’s gas by the transporter at another point or points on the facilities of the transporter, including exchange, backhaul, displacement, and other methods of transportation, provided, however, that the term “transportation service” shall not include processing services or the movement of gas to which the transporter has title.⁷³

I. Informal Complaint Procedures

With regard to transportation of natural gas from wells and leases, the RRC has adopted an informal complaint procedure to encourage “affordable, expeditious, and fair settlement and resolution of disputes regarding natural gas purchasers, sellers, transporters, and gatherers.”⁷⁴ Under these procedures, a producer of natural gas at the lease can initiate a mediated confidential negotiation of its request for transportation service. Once initiated by the producer, the responding pipeline or gathering system must participate in good faith:

The complainant and respondent shall participate in the mediation meeting and undertake in good faith to settle all issues raised in the complaint. The complainant and respondent shall make available during the mediation meeting, in person, representatives who are empowered to make decisions on their behalf.⁷⁵

⁷¹ 16 TAC § 7.115 (32).

⁷² 16 TAC § 7.115 (36).

⁷³ 16 TAC § 7.115 (35).

⁷⁴ 16 TAC § 2.1.

⁷⁵ 16 TAC § 2.1(e)(12); TEX. NAT. RES. CODE § 81.058 (c).

During the pendency of the mediation process, the rules require that the transporter not discontinue or deny service except for reasons related to limited line capacity, gas quality, safety or environmental risk, maintenance or repairs, or other good cause determined by the mediator.⁷⁶

A transporter that retaliates against a complainant for initiating the informal complaint process is subject to administrative penalties.⁷⁷

⁷⁶ 16 TAC § 2.1 (d)(7).

⁷⁷ 16 TAC § 7.7003(c)(2); TEX. NAT. RES. CODE § 81.058 (b).

ATTACHMENT A

ORGANIZATION REPORT

READ INSTRUCTIONS ON BACK

1. Purpose of Filing	<input type="checkbox"/> New Filing	<input type="checkbox"/> Annual Refiling	
	<input type="checkbox"/> Change of Officers/Resident Agent	<input type="checkbox"/> Address Correction	

2. RRC Operator No. (if assigned)

Name of entity: (If the name of the organization has changed, see Instructions on back)

3. ORGANIZATION

Mailing Address:	Street Address:
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Organization Phone Number:	Emergency (after hours) Phone Number:
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4. Plan of Organization (select one)	<input type="checkbox"/> A. Corporation	<input type="checkbox"/> B. Limited Partnership	<input type="checkbox"/> C. Sole Proprietorship	<input type="checkbox"/> D. Partnership	<input type="checkbox"/> E. Trust
	<input type="checkbox"/> F. Joint Venture	<input type="checkbox"/> G. Estate	<input type="checkbox"/> H. Ltd Liability Co. (LLC)	<input type="checkbox"/> I. Other (specify):	

Name of Texas Resident Agent:

5. TEXAS RESIDENT AGENT

Street Address	Mailing Address
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A Texas Resident Agent is required for any foreign or nonresident organization pursuant to Statewide Rule 1(a)(4)(D).

6. Attachments:

P-5O - Officer Listings: Information for each controlling entity of the organization as required by Statewide Rule 1(a)(4)(C).

P-5A - Agent Listings: (optional) - Designation of non-employee agents authorized to sign certain Forms P-4 and P-5 pursuant to Statewide Rule 1(a)(4)(E).

Filing Fee: Required for all "New Filing" and "Annual Refiling" submissions. See instructions on back.

Financial Assurance: If the operator is required to maintain financial assurance, the Organization Report will not be approved until it is in place.

7. Reorganization Check here if this is a reorganization of an existing registrant.
If checked, provide the current name and RRC P5 Number:

8. Comments: (optional)

Organization reports for operators of inactive wells: The Commission may not approve the P-5 Organization Report for an operator of one or more inactive wells unless the operator has complied with Commission rules and Texas statutes concerning the approval of plugging extensions for such inactive wells, including disconnection of electrical service and any required surface equipment removal.

Organization reports for operators with outstanding enforcement orders/judgments: The Commission may not approve the P-5 Organization Report for an operator if that operator is the subject of a final and unappealable order related to a violation of a Commission rule, order, license, permit, or certificate relating to safety or the prevention or control of pollution. Organization Reports for organizations with officers who are subject to such outstanding orders through their involvement with other organizations similarly may not be approved.

If the organization has used, or reported use of, a well for which the Certificate of Compliance has been canceled, the Commission may refuse to approve an Organization Report until the operator has paid any required reconnect fees and the Certificate of Compliance has been reissued for the well.

An organization must file an amended Organization Report within 15 days after a change in any information required to be reported in the Organization Report.

Signature _____		Title _____		FOR RRC USE ONLY	
Filer's Name (Printed) _____		Filer's Telephone Number _____		Approved by _____	
Email Address (OPTIONAL - SEE INSTRUCTIONS FOR IMPORTANT INFORMATION) _____		Date _____		Remarks _____	
Certificate: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.					

INSTRUCTIONS

Organization Report (Form P-5)

REFERENCES: Oil & Gas Statewide Rules 1 (*Organization Report; Retention of Records; Notice Requirements*), 14 (*Plugging*), 15 (*Inactive Wells and Surface Equipment Requirements*), and 78 (*Fees, Performance Bonds and Alternate Forms of Financial Security Required To Be Filed*); and Pipeline Safety Statewide Rule 58 (*Organization Report*). The Railroad Commission's rules may be found on our website at <http://www.rrc.state.tx.us/rules/rule.php>.

WHO MUST FILE FORM P-5: Any entity performing operations within the jurisdiction of the Commission's Oil & Gas Division in accordance with Oil and Gas Statewide Rule 1; and each gas and/or liquids company and each master meter operator performing operations within the jurisdiction of the Commission's Safety Division in accordance with Pipeline Safety Statewide Rule 58. (Master meter operators filing solely as required by the Safety Division, see "Special Instructions For Master Metered System Operators" section below.)

WHEN TO FILE FORM P-5:

- **INITIAL FILING** – Your initial Organization Report must be filed prior to beginning operations within the Commission's jurisdiction.
- **RENEWAL FILINGS** – Your Organization Report must be refiled annually. The Commission will notify you before your refiling date by mailing you computer-generated Organization Report forms pre-printed with the information currently shown on your Organization Report record. Review the information carefully, update as needed, and then sign and submit the Organization Report renewal to the Commission.
- **CHANGES** - If any information provided on your organization report changes, you must submit a revised organization report within fifteen (15) days of the change, except as noted below:
 - ADDRESS CHANGES - If the only change is to the organization's address or telephone number, then you may update that information by sending a signed letter to the P-5 Financial Assurance Unit. No other information may be updated by letter.
 - ORGANIZATION NAME CHANGE – If the name of the organization has changed (due to reorganization or change in the form of business), you must file a new Organization Report in the new name and obtain a new operator number. A new filing submitted for this purpose should reference the prior name by entering that information in Item No. 7.

SPECIFIC ITEMS ON FORM P-5

- No. 1: Check the proper block to show the purpose of filing. More than one block may be checked.
- No. 2: Your permanent RRC operator number is assigned after the initial filing of your P-5. Your operator number will be required on most reports and forms you file with the Commission.
- No. 3: "Name of Entity": For new filings, enter the full name of your organization. If you are required to register with the Texas Secretary of State, your name shown in Box 3 on the Organization Report should exactly match your name as shown on your Secretary of State registration, including punctuation. (Due to space limitations, the Commission may abbreviate your name for entry into Commission systems.)
- No. 4: Check the appropriate plan of organization on all filings. Select only one plan of organization.
- No. 5: If you are a foreign or non-resident organization (i.e., your organization is located outside of the State of Texas as indicated by the street address in No. 3), you must designate and maintain a Texas resident agent within the state. A Texas Resident Agent with an address different from that of the organization may also be designated as an alternative to providing separate addresses for the officers on Form P-5O (Organization Report Officer Listing).
- No. 7: If you have reorganized and changed your organization name, check the box and provide the previous name and operator number.

SPECIAL INSTRUCTIONS FOR MASTER METERED SYSTEM OPERATORS: If the operation of one or more master metered systems is the only activity for which the Organization Report is being filed, then you should note that in Item No. 8 (Remarks), and observe the following requirements:

- The required filing fee for New Filings and Annual Renewals is \$225.00.
- No financial assurance is required for master meter operators.
- The Organization Report must be filed in the name of the legal entity operating the master meter.
- The system manager(s) must be identified among the officers on Form P-5O.
- A listing of all systems for which the filing entity is responsible must be attached to the Organization Report filing.

FILING FEE: Except as noted above, the filing fee for a New Filing (the initial Organization Report filed by an entity) is \$300.00. The filing fee for an Annual Renewal of an entity's Organization Report will be based on the activities in which the organization is engaged, and may be up to \$1,350.00. See Rule 78. (There is no filing fee for an Organization Report filed solely to update officers, agents and/or addresses.)

FINANCIAL ASSURANCE: Most Commission regulated activities, including the operation of wells and pipelines, will require the operator to file and maintain some form of financial assurance (such as a bond, letter of credit, or cash deposit) in varying amounts. If the filing operator is required to maintain financial assurance, any renewal documentation for the financial assurance must be on file for the period covered by the P-5 Organization Report (plus any additional period following expiration of the Organization Report that may be required by your financial assurance documents) before the Organization Report renewal can be approved and processed.

EMAIL ADDRESS: YOU ARE NOT REQUIRED TO PROVIDE AN EMAIL ADDRESS when completing and filing this form. Please be aware that information provided to any governmental body may be subject to disclosure pursuant to the Texas Public Information Act or other applicable federal or state legislation. IF YOU PROVIDE AN EMAIL ADDRESS, YOU AFFIRMATIVELY CONSENT TO THE RELEASE OF THAT EMAIL ADDRESS TO THIRD PARTIES. Other departments within the Railroad Commission also may use the email address you provide to communicate with you.

Mail to: Railroad Commission of Texas
P-5 Financial Assurance Unit
P O Box 12967
Austin, Texas 78711-2967

ORGANIZATION REPORT OFFICER LISTING

(File as attachment to Form P-5 Organization Report)

Page ____ of ____

1. Current operator name exactly as shown on P-5 Organization Report	PURSUANT TO Oil & Gas Statewide Rule 1(a)(4)(C), information must be provided "for each officer, director, general partner, owner of more than 25% ownership interest, or trustee (hereinafter controlling entity) of the organization."
2. RRC Operator No. (if assigned)	

Instructions:

Attach as many sheets as are needed to identify all required officers.

Full Legal Name: The entity's or individual's full legal name. Please do not use initials.

ID Number: If the filing organization is a Sole Proprietorship (i.e., an individual), you must provide the owner's social security number. Otherwise, you may provide (at your choice) the officer's social security number, driver's license number, or Texas State Identification number. (Note: The Railroad Commission considers such ID numbers to be confidential information.)

Addresses: You must provide an address for each officer that is different from the address for the organization UNLESS: 1) you have shown a Texas Resident Agent on your Organization Report, and that agent has an address different from that of the organization; or 2) the organization is being operated out of the officer's home.

If an entity is identified as an officer on this form, you must also identify each officer of that entity.

3. OFFICERS	Full Legal Name:	Title:
	Street Address: <input type="checkbox"/> Check here if operating out of this officer's home.	Mailing Address (if different from Street Address)
	<input type="checkbox"/> Driver's Lic. <input type="checkbox"/> State ID <input type="checkbox"/> Social Security No. State (if not SSN):	Number:
	Full Legal Name:	Title:
	Street Address: <input type="checkbox"/> Check here if operating out of this officer's home.	Mailing Address (if different from Street Address)
<input type="checkbox"/> Driver's Lic. <input type="checkbox"/> State ID <input type="checkbox"/> Social Security No. State (if not SSN):	Number:	
Full Legal Name:	Title:	
Street Address: <input type="checkbox"/> Check here if operating out of this officer's home.	Mailing Address (if different from Street Address)	
<input type="checkbox"/> Driver's Lic. <input type="checkbox"/> State ID <input type="checkbox"/> Social Security No. State (if not SSN):	Number:	
Full Legal Name:	Title:	
Street Address: <input type="checkbox"/> Check here if operating out of this officer's home.	Mailing Address (if different from Street Address)	
<input type="checkbox"/> Driver's Lic. <input type="checkbox"/> State ID <input type="checkbox"/> Social Security No. State (if not SSN):	Number:	

ORGANIZATION REPORT NON-EMPLOYEE AGENT LISTING

1. Current operator name exactly as shown on P-5 Organization Report	PURSUANT TO Oil & Gas Statewide Rule 1(a)(4)(E) , the organization must provide the name of any non-employee agent that the organization authorizes to act for the organization in signing Oil and Gas Division certificates of compliance which initially designate the operator or change the designation of the operator. Organizations may designate non-employee agents to execute subsequent organization reports. That designation shall be authorized by the organization and not by a non-employee agent.
2. RRC Operator No. (if assigned)	

Instructions:

DO NOT USE THIS FORM TO DESIGNATE A TEXAS RESIDENT AGENT. (Your Texas Resident Agent is identified on Form P-5 to which this is attached.) This Form P-5A must ONLY be used if you have designated a non-employee agent with authority to sign operator-change Forms P-4 and/or P-5 renewals. If you have not designated any non-employee agents for that purpose, then you should not file Form P-5A.

THIS FORM MAY BE FILED AT ANY TIME. If a change in an organization's representation has occurred, a revised Non-Employee Agent Listing may be filed at any time to update the commission's records.

IF ANY NON-EMPLOYEE AGENTS LISTED ON THIS FORM ARE NOT CURRENTLY DESIGNATED ON YOUR ORGANIZATION REPORT RECORD, THEN THIS FORM P-5A MUST BE SIGNED BY A DULY AUTHORIZED COMPANY OFFICER OR EMPLOYEE. (If no changes have been made to the information on this form and it is being filed in connection with the annual renewal of the organization's P-5, then a previously designated non-employee agent listed below may sign it.)

EMAIL ADDRESS: YOU ARE NOT REQUIRED TO PROVIDE AN EMAIL ADDRESS when completing and filing this form. Please be aware that information provided to any governmental body may be subject to disclosure pursuant to the Texas Public Information Act or other applicable federal or state legislation. IF YOU PROVIDE AN EMAIL ADDRESS, YOU AFFIRMATIVELY CONSENT TO THE RELEASE OF THAT EMAIL ADDRESS TO THIRD PARTIES. Other departments within the Railroad Commission also may use the email address you provide to communicate with you.

3. DESIGNATED NON-EMPLOYEE AGENTS (authorized to file operator-change Forms P-4 and renewal Forms P-5.)	Agent's Name: _____		
	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Street Address: _____</td> <td style="width: 50%; border: none;">Mailing Address (if different from Street Address) _____</td> </tr> </table>	Street Address: _____	Mailing Address (if different from Street Address) _____
	Street Address: _____	Mailing Address (if different from Street Address) _____	
	Agent's Name: _____		
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Street Address: _____</td> <td style="width: 50%; border: none;">Mailing Address (if different from Street Address) _____</td> </tr> </table>	Street Address: _____	Mailing Address (if different from Street Address) _____	
Street Address: _____	Mailing Address (if different from Street Address) _____		
Agent's Name: _____			
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Street Address: _____</td> <td style="width: 50%; border: none;">Mailing Address (if different from Street Address) _____</td> </tr> </table>	Street Address: _____	Mailing Address (if different from Street Address) _____	
Street Address: _____	Mailing Address (if different from Street Address) _____		
Agent's Name: _____			
<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;">Street Address: _____</td> <td style="width: 50%; border: none;">Mailing Address (if different from Street Address) _____</td> </tr> </table>	Street Address: _____	Mailing Address (if different from Street Address) _____	
Street Address: _____	Mailing Address (if different from Street Address) _____		

<table style="width: 100%; border: none;"> <tr> <td style="width: 30%; border: none;">Signature _____</td> <td style="width: 30%; border: none;">Title _____</td> </tr> <tr> <td style="border: none;">Filer's Name (Printed) _____</td> <td style="border: none;">Filer's Telephone Number _____</td> </tr> <tr> <td style="border: none;">Email Address (OPTIONAL - SEE INSTRUCTIONS FOR IMPORTANT INFORMATION) _____</td> <td style="border: none;">Date _____</td> </tr> </table> <p>Certificate: I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that data and facts stated therein are true, correct, and complete, to the best of my knowledge.</p>	Signature _____	Title _____	Filer's Name (Printed) _____	Filer's Telephone Number _____	Email Address (OPTIONAL - SEE INSTRUCTIONS FOR IMPORTANT INFORMATION) _____	Date _____	<p>FOR RRC USE ONLY</p> <p>Approved by _____</p> <p>Remarks _____</p>
Signature _____	Title _____						
Filer's Name (Printed) _____	Filer's Telephone Number _____						
Email Address (OPTIONAL - SEE INSTRUCTIONS FOR IMPORTANT INFORMATION) _____	Date _____						

ATTACHMENT B

RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL AND GAS DOCKET
NO. 01-0290786

IN THE BRISCOE RANCH
(EAGLEFORD) FIELD, ATASCOSA,
DIMMIT, FRIO, LA SALLE,
MAVERICK, WEBB, AND ZAVALA
COUNTIES, TEXAS

FINAL ORDER
AMENDING FIELD RULES FOR THE
BRISCOE RANCH (EAGLEFORD) FIELD
ATASCOSA, DIMMIT, FRIO, LA SALLE, MAVERICK,
WEBB, AND ZAVALA COUNTIES, TEXAS

The Commission finds that after statutory notice in the above-numbered docket heard on September 17, 2014, 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 amended in Final Order No. 01-0280513, effective June 18, 2013, for the Briscoe Ranch (Eagleford) Field, Atascosa, Dimmit, Frio, La Salle, Maverick, Webb, and Zavala Counties, Texas, are hereby amended. The amended field rules are set out in their entirety as follows:

RULE 1: The entire correlative interval from 7,160 feet to 7,535 feet as shown on the log of the TXCO Resources Inc. - Briscoe Catarina West Lease, Well No. 1 (API No. 42 127 33421), Section 93, Block 8, I&GN RR Co. Survey, A-874, Dimmit County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Briscoe Ranch (Eagleford) 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 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 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

ATTACHMENT C

NEW FIELD DESIGNATION
AND/OR DISCOVERY
ALLOWABLE APPLICATION

FORM P-7

Rev. 2/89

READ INSTRUCTIONS ON BACK

1. Operator Name, exactly as shown on P-5 Organization Report			2. RRC District No.	
3. Address, including city, state, and zip code			4. County	
			5. API No.	
6. Lease Name			7. Well No.	8. Drilling Permit No.
9. Section	Block	Survey	Abstract No.	
10. Name of Producing Zone			11. Distance and direction from subject well to nearest geographic feature (town or other feature)	
12. Field Name Preference			13. Top of reservoir	
First _____			feet	14. Bottom of reservoir
Second _____				feet
Third _____			15. Perforations	
			from	to
			from	to
			_____	_____
			_____	_____

16. POTENTIAL TEST INFORMATION:
Date test form filed with RRC district office _____

a. W-2 filed. _____ BOPD _____ BWPD _____ °API Gravity _____ Csghd Gas Gravity _____ GOR

b. G-1 filed. _____ AOF (Mcf/D) _____ BHP _____ °API Gravity (Cond.) _____ Gas Gravity _____ Gas-Liq. HC Ratio

17. Nearest production to subject well (oil and/or gas, past or present, regardless of depth)

a. Field Name _____ b. Type of production Oil Gas

c. Reservoir Name _____ d. Depth interval _____ to _____

e. Distance and direction from subject well _____

18. Nearest comparable production to subject well from same stratigraphic member (oil and/or gas, past or present)

a. Field Name _____ b. Type of production Oil Gas

c. Reservoir Name _____ d. Depth interval _____ to _____

e. Distance and direction from subject well _____

19. a. Notice of application has been given by furnishing a completed copy of this form to:

Each offset operator.

All operators within a 2.5 mile radius of the discovery well in the involved field(s) if this is a newly discovered reservoir in a known producing multi-reservoir structure.

b. Date notice was given _____

c. Attach list of names and mailing addresses of those given notice.

Signature _____	<p>CERTIFICATE</p> <p>I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that the data and facts stated herein are true, correct, and complete to the best of my knowledge.</p>
Name _____	
Title _____	
Date _____ Phone (____) _____	

FOR RRC — NEW FIELD USE ONLY

<input type="checkbox"/> Approved _____	Field Name _____	Examiner Name _____
<input type="checkbox"/> Denied _____	Type of Separation _____	Date _____
<input type="checkbox"/> Hearing Set _____		

INSTRUCTIONS

Form P-7: Application for New Field Designation and/or Discovery Allowable

Reference: Statewide Rules 16, 41, and 42

Drilling Permit Requirement: A valid drilling permit showing a wildcat field must have been issued before this application can be processed.

Who Files Form P-7: Any operator seeking a new field designation and, for oil wells, a discovery allowable by proving that a new completion is in a reservoir separated both vertically and horizontally from all other reservoirs. Separation may be proved by, but not limited to, subsurface structure, changes in stratigraphy, or differences in fluid contacts or reservoir pressures.

When and Where to File: At the same time as completion papers (W-2 for oil, G-1 for gas). The Form P-7 with attachments (see below) is filed with the Commission in Austin while the completion papers are filed with the appropriate Railroad Commission district office. Wells will not be assigned an allowable until the completion papers and new field application have been approved.

What to File: The original of this form with the following attachments:

1. Legible area map, drawn to scale, preferably 1" equals 2000', showing
 - a. all oil, gas, and abandoned wells within a 2.5 mile radius of the subject well, with
 - (1) producing intervals (perforations) of oil, gas, and once active abandoned wells that penetrate to the same general depth,
 - (2) total depths of all relevant dry holes, and
 - (3) total depths of all wells that have penetrated the subject zone,
 - b. all Railroad Commission-recognized fields, currently active or active in the past, within a 2.5 mile radius of the subject well, identified by
 - (1) Commission-assigned field names,
 - (2) names of producing formations, and
 - (3) approximate average depth of the producing interval,
 - c. scale, legend, and name of person preparing map.
2. List of names and mailing addresses of those given notice.
3. Complete, legible electric log of the well, marking the top and bottom of the designated field interval to correspond with Nos. 13 and 14, on the front. Any log filed with this application is considered public information. If all the other required data is submitted and satisfactorily proves discovery as a new reservoir, the entire log does not have to be filed with this application. The log will then fall within the provisions of Statewide Rule 16 regarding confidentiality. If confidentiality is desired, please submit at least one curve (SP or gamma ray) from a log section showing the entire proposed designated interval.
4. Structure map, if the application is based on subsurface structure. The map is to be contoured on the top of the producing formation.
5. Stratigraphic or structural cross section, if the application is based on stratigraphic changes such as pinch-outs or porosity/permeability changes. The cross section is to be prepared from electric logs.
6. Reservoir pressure measurements or calculations of a recent date, if the application is based on reservoir pressure differences.
7. Fluid level data, if the application is based on differences in gas-liquid contacts or oil-water contacts. This data must be complete and from comparable formations.

Field Names: Must be limited to 32 characters and spaces in length.

Notice. Each offset operator must be furnished a copy of the completed Form P-7. Additionally, if the subject reservoir is in a known producing multi-reservoir structure, each operator within a 2.5 mile radius of the discovery well in the involved field(s) must also be furnished a copy.

Further information: May be obtained from the New Fields Section at the Austin Railroad Commission office. If, because of large volumes of oil or condensate production, it appears that the subject well may have to be voluntarily shut-in and to do so would cause damage to or loss of the well, contact the New Fields Section regarding possible district office issuance of temporary transportation authority.

mail to

New Fields Section
Oil and Gas Division
Railroad Commission of Texas
P. O. Drawer 12967 - Capitol Station
Austin, Texas 78711-2967

ATTACHMENT D

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 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 the first and last take point are nearer than ONE HUNDRED (100) feet 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 or any property line, lease line or subdivision line shall be a minimum of THREE HUNDRED THIRTY (330) feet.

For the purpose of assigning additional acreage to a horizontal well pursuant to Rule 86, 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.

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 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 33 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 nearest 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 EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) 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.

ATTACHMENT E

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 EIGHTY (80) acres, then and in such event the remaining unassigned acreage up to and including a total of FORTY (40) 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 FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

RULE 3b: The acreage assigned to the individual gas well for the purpose of allocating allowable gas production thereto shall be known as a proration unit. The standard drilling and proration units are established hereby to be EIGHTY (80) acres. No proration unit shall consist of more than EIGHTY (80) 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 EIGHTY EIGHT (88) acres may be assigned. Each proration unit containing less than EIGHTY (80) 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 units of FORTY (40) acres. A proportional acreage allowable credit will be given for a well on a fractional proration unit.

For the determination of acreage credit in this field, operators shall file for each oil or gas well in this field the applicable forms authorized or allowed by the Commission (Form P-15 Statement of Productivity of Acreage Assigned to Proration Units, or P-16 Data Sheet). Operators shall list the number of acres that are being assigned to each well on the lease or unit for proration purposes and file a plat identifying the acreage for the lease, pooled unit or property on which the well is located, provided that such plat shall not be required to show individual proration units.

RULE 4a: The maximum daily oil allowable for a well in the field shall be determined by multiplying 800 barrels of oil per day 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 proration purposes, exclusive of tolerance acreage. Each oil well shall have unlimited net gas-oil ratio authority.

RULE 4b: The gas field shall be classified as associated-prorated. The 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 proportion that the acreage assigned such well for proration purposes bears to the summation of the acreage with respect to all proratable wells producing from the same reservoir.

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)(4)(A) exceptions, a six month exception to Statewide Rule 13(b)(4)(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.

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 allowables 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 the oil wells without tubing.

RULE 7: All wells will be granted administratively, without the necessity of filing fees unless the Commission requires filing fees in the future for Statewide Rule 16(b) exceptions, an exception to the provisions of Rule 16(b) regarding the deadline for filing initial completion reports. Completion reports in this field are timely filed if filed within 90 days after completion of the well or within 150 days after the date on which the drilling operation is completed, whichever is earlier.

The Briscoe Ranch (Eagleford) Field is a hydrogen sulfide field and shall be regulated pursuant to Statewide Rule 36.

Pursuant to Final Order No. 01-0270024, all wells completed with a gas-oil ratio of 3,000 cubic feet per barrel and above in the Briscoe Ranch (Eagleford) Field, Dimmit, La Salle, Maverick and Webb Counties, Texas, are permanently classified as gas wells without the need of further administrative review, effective the date of initial completion.

Done this 27th day of January, 2015.

RAILROAD COMMISSION OF TEXAS

**(Order approved and signatures affixed
by Hearings Divisions' Unprotested
Master Order dated January 27, 2015)**

ATTACHMENT F

**RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION**

Form W-14
05/2004

**APPLICATION TO DISPOSE OF OIL AND GAS WASTE BY INJECTION
INTO A FORMATION NOT PRODUCTIVE OF OIL AND GAS**

1. Operator Name _____		2. Operator P-5 No. _____						
3. Operator Address: _____								
4. County _____		5. RRC District No. _____						
6. Field Name _____		7. Field Number _____						
8. Lease Name _____		9. Lease/Gas ID No. _____						
10. Well is _____ miles in a _____ direction from _____ (center of nearest town).		11. No. acres in lease _____						
12. Legal description of location including distance and direction from survey lines _____								
13. Latitude/Longitude, if known (Optional)		Lat. _____ Long. _____						
14. New Permit: Yes <input type="checkbox"/> No <input type="checkbox"/>		If no, amendment of Permit No. _____ UIC# _____						
15. Reason for amendment: Pressure <input type="checkbox"/> Volume <input type="checkbox"/> Interval <input type="checkbox"/> Commercial <input type="checkbox"/> Other (explain) _____								
16. Well No.	17. API No.	18. Date Drilled	19. Total Depth	20. Plug Date, if re-entry				
Casing	Size	Setting Depths	Hole Size	Casing Weight	Cement Class	Cement Sacks (#)	Top of cement	Top Determined by
21. Surface								
22. Intermediate								
23. Long String								
24. Liner								
25. Other								
26. Depth to base of Deepest Freshwater Zone _____		27. Multiple completion? Yes <input type="checkbox"/> No <input type="checkbox"/>						
28. Multistage cement? Yes <input type="checkbox"/> No <input type="checkbox"/>		If yes, DV Tool Depth: _____ ft. No. Sacks: _____ Top of Cement: _____						
29. Bridge Plug Depth: _____ ft.		30. Injection Tubing Size: _____ in. and Depth _____ ft.		31. Packer Depth: _____ ft.				
32. Cement Squeeze Operations (List all giving interval and number of sacks of cement and cement top and whether Proposed or Complete.):								
33. Injection Interval from _____ to _____ ft.		34. Name of Disposal Formation _____						
35. Any Oil and Gas Productive Zone within two miles? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, Depth _____ ft. and Reservoir Name _____								
36. Maximum Daily Injection Volume _____ bpd		37. Estimated Average Daily Injection Volume _____ bpd						
38. Maximum Surface Injection Pressure _____ psig		39. Estimated Average Surface Injection Pressure _____ psig						
40. Source of Fluids (Formation, depths and types): _____								
41. Are fluids from leases other than lease identified in Item 8? Yes <input type="checkbox"/> No <input type="checkbox"/>		42. Commercial Disposal Well? Yes <input type="checkbox"/> No <input type="checkbox"/>						
43. If commercial disposal, will non-hazardous oil and gas waste other than produced water be disposed of? Yes <input type="checkbox"/> No <input type="checkbox"/>								
44. Type(s) of Injection Fluid: Salt Water <input type="checkbox"/> Brackish Water <input type="checkbox"/> Fresh Water <input type="checkbox"/> CO ₂ <input type="checkbox"/> N ₂ <input type="checkbox"/> Air <input type="checkbox"/> H ₂ S <input type="checkbox"/> LPG <input type="checkbox"/> NORM <input type="checkbox"/> Natural Gas <input type="checkbox"/> Polymer <input type="checkbox"/> Other (explain) _____								
CERTIFICATE I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that the data and facts stated therein are true, correct, and complete, to the best of my knowledge.		Signature _____ Date _____						
		Name of Person (type or print) _____						
		Phone _____		Fax _____				
		FOR OFFICE USE ONLY REGISTER NO. AMOUNT \$						

APPLICANT ALSO MUST COMPLY WITH THE INSTRUCTIONS ON THE REVERSE SIDE

FORM W-14 INSTRUCTIONS

1. File the original application, including all attachments, with Environmental Services, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967. File one copy of the application and all attachments with the appropriate district office.
2. Include with the original application a non-refundable fee of \$100 payable to the *Railroad Commission of Texas*. Submit an additional \$150 fee for each request for an exception to Statewide Rule 9(9) relating to Special Equipment.
3. Provide the current field name (Item 6) and field number (Item 7) designated in Commission records for an existing well. If the application is for a new well, provide the nearest producing field name and number.
4. Check in Item 14 the appropriate box for a new permit or an amendment of an existing permit. If an amendment, check the applicable boxes in Item 15 to indicate the reason for amendment and provide a brief explanation if "other" is checked.
5. If the application is for a new permit, attach a complete electrical log of the well or the log of a nearby well.
6. Attach a letter from the Texas Commission on Environmental Quality (TCEQ) or its predecessor or successor agency stating that the well will not endanger usable quality water strata and that the formation or stratum to be used for disposal does not contain usable quality water. To obtain the TCEQ letter, submit two copies of the Form W-14, a plat with surveys marked, and a representative electrical log to TCEQ, MC 151, P.O. Box 13087, Austin, Texas 78711-3087. NOTE: If the application is for an amendment, a new TCEQ letter is required only if the amendment is for a change in the disposal interval.
7. Attach a map showing the location of all wells of public record within one-half (1/2) mile radius of the proposed disposal well. On the map show each Commission-designated operator of each well within one-half (1/2) mile of the proposed disposal well. NOTE: For a commercial disposal well application, the map shall also show the ownership of the proposed disposal well tract and the surface tracts that adjoin the proposed disposal well tract.
8. Attach a table of all wells of public record that penetrate the disposal interval and that are within one-quarter (1/4) mile radius of the proposed disposal well. The table shall include the well identification, date drilled, depth, current status, and the plugging dates of those wells that are plugged. Identify any wells that appear to be or that you may know are unplugged or improperly plugged and penetrate the proposed injection interval. Alternatively, an applicant may request a variance under Rule 9(7)(B). NOTE: If the application is for an amendment, a table of wells within a one-quarter (1/4) mile radius is required only if the current permit was issued before April 1, 1982, or if the amendment is for a shallower disposal depth.
9. Attach a list of the names and mailing or physical addresses of affected persons who were notified of the application and when the notification was mailed or delivered. Include a signed statement attesting to the notification of the listed affected persons. Notice shall be provided by sending or delivering a copy of the front and back of the application to the surface owner of record of the surface tract where the well is located, each Commission-designated operator of any well located within one-half (1/2) mile of the proposed well, the county clerk, and the city clerk, or other city official, if the proposed well is located within municipal boundaries. In addition, notice of a commercial disposal well also shall be provided to surface owners of record of each surface tract that adjoins the surface tract where the proposed well will be located. NOTE: If the application is for an amendment, notification of the county clerk and the city clerk are required only if the amendment is for disposal interval or for commercial status.
10. Attach an affidavit of publication signed by the publisher that the notice of publication has been published in a newspaper of general circulation in the county where the disposal well will be located. Attach a newspaper clipping of the published notice. If the application is for a commercial disposal well, that fact must be stated in the published notice. NOTE: If the application is for an amendment, notification by publication is required only if the amendment is for disposal interval or for commercial status.
11. Attach any other technical information that you believe will facilitate the review of the application. Such information may include a cement bond log, a cementing record, or a well bore sketch.

Additional information is available in the *Underground Injection Control Manual*, which is available on the Railroad Commission's website: www.rrc.state.tx.us

No public hearing will be held on this application unless an affected person or local government protests the application, or the Commission administratively denies the application. Any protest shall be in writing and contain (1) the name, mailing address, and phone number of the person making the protest; and (2) a brief description of how the protestant would be adversely affected by the activity sought to be permitted. If the Commission or its delegate determines that a valid protest has been received, or that a public hearing is in the public interest, a hearing will be held upon written request by the applicant. The permit may be administratively issued in a minimum of 15 days after receipt of the application, published notice, or notification of affected persons, whichever is later, if no protest is received.

ATTACHMENT G

**RAILROAD COMMISSION OF TEXAS
OIL AND GAS DIVISION**

Form H-1

05/2004

APPLICATION TO INJECT FLUID INTO A RESERVOIR PRODUCTIVE OF OIL OR GAS

1. Operator name _____ 2. Operator P-5 No. _____
(as shown on P-5, Organization Report)

3. Operator Address _____

4. County _____ 5. RRC District No. _____

6. Field Name _____ 7. Field No. _____

8. Lease Name _____ 9. Lease/Gas ID No. _____

10. Check the Appropriate Boxes: New Project Amendment

 If amendment, Fluid Injection Project No. F- _____

 Reason for Amendment: Add wells Add or change types of fluids Change pressure

 Change volume Change interval Other (explain) _____

RESERVOIR DATA FOR A NEW PROJECT

11. Name of Formation _____ 12. Lithology _____
(e.g., dolomite, limestone, sand, etc.)

13. Type of Trap _____ 14. Type of Drive during Primary Production _____
(anticline, fault trap, stratigraphic trap, etc.)

15. Average Pay Thickness _____ 16. Lse/Unit Acreage _____ 17. Current Bottom Hole Pressure (psig) _____

18. Average Horizontal Permeability (mds) _____ 19. Average Porosity (%) _____

INJECTION PROJECT DATA

20. No. of Injection Wells in this application _____

21. Type of Injection Project: Waterflood Pressure Maintenance Miscible Displacement Natural Gas Storage

 Steam Thermal Recovery Disposal Other _____

22. If disposal, are fluids from leases other than the lease identified in Item 9? Yes No

23. Is this application for a Commercial Disposal Well ? Yes No

24. If for commercial disposal, will non-hazardous oil and gas waste other than produced water be disposed? Yes No

25. Type(s) of Injection Fluid:

 Salt Water Brackish Water Fresh Water CO₂ N₂ Air H₂S LPG NORM

 Natural Gas Polymer Other (explain) _____

26. If water other than produced salt water will be injected, identify the source of each type of injection water by formation, or by aquifer and depths, or by name of surface water source:

<p align="center">CERTIFICATE</p> <p>I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my supervision and direction, and that the data and facts stated therein are true, correct, and complete, to the best of my knowledge.</p>	<p>Signature _____ Date _____</p> <p>Name of Person (type or print) _____</p> <p>Phone _____ Fax _____</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------

For Office Use Only	Register No.	Amount \$
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INSTRUCTIONS FOR FORM H-1

1. **Application.** File the original Form H-1 application, including all attachments, with Assistant Director, Environmental Services, Railroad Commission of Texas, P. O. Box 12967, Capitol Station, Austin, Texas 78711. File one copy of the application and all attachments with the appropriate Railroad Commission District Office. Include with the original application a non-refundable fee of \$200, payable to the Railroad Commission of Texas. Submit an additional \$150 for each request for an exception to Statewide Rule 46(g)(3) and/or (j)(5)(B).
2. **Well Logs.** Attach the complete electric log or a similar well log for one of the proposed injection wells or for a nearby well. Attach any other logging and testing data, such as a cement bond log, available for the well that supports this application.
3.
 - (a) **For a new project,** attach a map with surveys marked showing the location and depth of all wells of public record within one-quarter (1/4) mile radius of the proposed injection well(s).
 - (b) **For an amendment to add wells to a previous authority,** attach a map with surveys marked showing the location and depth of all wells of public record within one-quarter (1/4) mile radius of the additional wells, unless such data has been submitted previously for the project.
 - (c) **Table of Wells.** For those wells in 3(a) or 3(b) that penetrate the top of the injection interval, attach a table of wells showing the dates drilled and their current status. The Commission may adjust or waive this data requirement in accordance with provisions in the "Area of Review" section of Statewide Rule 46 (Rule 46(e)).
4. **Water Letter.** Attach a letter from the Texas Commission on Environmental Quality (TCEQ) or its predecessor or successor agencies for a well within the project area stating the depth to which usable quality water occurs.
5. **Form(s) H-1A.** Attach Form H-1A showing each injection well to be used in the project. Up to TWO wells can be listed on each Form H-1A.
6. **Use of Fresh Water.** Attach Form H-7, Fresh Water Data Form, for a new injection project that includes the use of fresh water. An updated Form H-7 must be attached to Form H-1 for an expansion of a previously authorized fresh water injection project unless the fresh water is purchased from a commercial supplier, public entity, or from another operator.
7. **Plat of Leases, Notice and Hearings**
 - (a) **Plat of Leases.** Attach a plat of leases showing producing wells, injection wells, offset wells and identifying ownership of all surrounding leases within one-half (1/2) mile.
 - (b) **Notice.**
 - (1) Send or deliver a copy of the application to the owner of record of the surface tract on which the well(s) is located; each Commission-designated operator of any well located within one-half (1/2) mile of the proposed injection well(s); and the clerk of the city and county in which the well(s) is located. If this is the initial application for fluid injection authority for this reservoir, send copies of the application to all operators in the reservoir. Attach a signed statement indicating the date the copies of the application were mailed or delivered and the names and addresses of the persons to whom copies were sent.
 - (2) Attach an affidavit of publication signed by the publisher that notice of the application has been published in a newspaper of general circulation in the county where the well(s) will be located. Notice instructions and forms may be obtained from the Commission's Austin Office, the Commission's website (www.rrc.state.tx.us) or the District Offices. Attach a newspaper clipping of the published notice.
 - (c) **Protests and Hearings.** An affected person or local government may protest this application. A hearing on the application will be held if a protest is received and the applicant requests a hearing, or if the Commission determines that a hearing is in the public interest. Any such request for a public hearing shall be in writing and contain: (1) the name, mailing address and phone number of the person making the request; and (2) a brief description of how the protestant would be adversely affected by the granting of the application. If the Commission determines that a valid protest has been received, or that a hearing would be in the public interest, a hearing will be held after issuance of proper and timely notice of the hearing by the Commission. If no protest is received within fifteen (15) days of publication or receipt in Austin of the application, the application may be processed administratively.

RAILROAD COMMISSION OF TEXAS -- OIL AND GAS DIVISION

Form H-1A

INJECTION WELL DATA (attach to Form H-1)

1. Operator Name (as shown on P-5)					2. Operator P-5 No.				
3. Field Name					4. Field No.				
5. Current Lease Name					6. Lease/Gas ID No.				
7. Lease is _____ miles in a _____ direction from _____ (center of nearest town).									
8. Well No.	9. API No.	10. UIC No.	11. Total Depth	12. Date Drilled	13. Base of Usable Quality Water (ft)				
14. (a) Legal description of well location, including distance and direction from survey lines: (b) Latitude and Longitude of well location, if known (optional) Lat. _____ Long. _____									
15. New Injection Well <input type="checkbox"/> or Injection Well Amendment <input type="checkbox"/>				Reason for Amendment: Pressure <input type="checkbox"/> Volume <input type="checkbox"/> Interval <input type="checkbox"/> Fluid Type <input type="checkbox"/> Other (explain) _____					
Casing	Size	Setting Depth	Hole Size	Casing Weight	Cement Class	# Sacks of Cement	Top of Cement	Top Determined by	
16. Surface									
17. Intermediate									
18. Long string									
19. Liner									
20. Tubing size	21. Tubing depth		22. Injection tubing packer depth			23. Injection interval _____ to _____			
24. Cement Squeeze Operations (List all)			Squeeze Interval (ft)			No. of Sacks		Top of Cement (ft)	
25. Multiple Completion? Yes <input type="checkbox"/> No <input type="checkbox"/>			26. Downhole Water Separation? Yes <input type="checkbox"/> No <input type="checkbox"/>			NOTE: If the answer is "Yes" to Item 25 or 26, provide a Wellbore Sketch			
27. Fluid Type			28. Maximum daily injection volume for each fluid type (rate in bpd or mcf/d)			29. Estimated average daily injection volume for each fluid type (rate in bpd or mcf/d)			
30. Maximum Surface Injection Pressure: _____ for Liquid _____ psig _____ for Gas _____ psig.									
8. Well No.	9. API No.	10. UIC No.	11. Total Depth	12. Date Drilled	13. Base of Usable Quality Water (ft)				
14. (a) Legal description of well location, including distance and direction from survey lines: (b) Latitude and Longitude of well location, if known (optional) Lat. _____ Long. _____									
15. New Injection Well <input type="checkbox"/> or Injection Well Amendment <input type="checkbox"/>				Reason for Amendment: Pressure <input type="checkbox"/> Volume <input type="checkbox"/> Interval <input type="checkbox"/> Fluid Type <input type="checkbox"/> Other (explain) _____					
Casing	Size	Setting Depth	Hole Siz	Casing Weight	Cement Class	# Sacks of Cement	Top of Cement	Top Determined by	
16. Surface									
17. Intermediate									
18. Long string									
19. Liner									
20. Tubing size	21. Tubing depth		22. Injection tubing packer depth			23. Injection interval _____ to _____			
24. Cement Squeeze Operations (List all)			Squeeze Interval (ft)			No. of Sacks		Top of Cement (ft)	
25. Multiple Completion? Yes <input type="checkbox"/> No <input type="checkbox"/>			26. Downhole Water Separation? Yes <input type="checkbox"/> No <input type="checkbox"/>			NOTE: If the answer is "Yes" to Item 25 or 26, provide a Wellbore Sketch			
27. Fluid Type			28. Maximum daily injection volume for each fluid type (rate in bpd or mcf/d)			29. Estimated average daily injection volume for each fluid type (rate in bpd or mcf/d)			
30. Maximum Surface Injection Pressure: _____ for Liquid _____ psig _____ for Gas _____ psig.									

FORM H-1A INSTRUCTIONS

05/2004

1. File as an attachment to Form H-1 to provide injection well data for each application for a new injection well permit or to amend an injection well permit.
2. Complete the current field name and number (Items 3 and 4) with the current field designation in Commission records.
3. Complete the current lease name and number (Items 5 and 6) with the current lease identification in Commission records for each well in the application. Use separate H-1A Forms for each lease.
4. Provide the current well number(s) for existing wells in Item 8. Provide the proposed well numbers for wells that have not yet been drilled.
5. Check in Item 15 the appropriate box for a new injection well permit or an amendment to an injection well permit. If an amendment, check the appropriate boxes for the reason(s) for the application(s) for amendment. If "other" is checked, provide a brief explanation.
6. Provide complete well construction information (Items 16 through 26), including all proposed re-completion (e.g. liner, cement squeeze, tubing, packer). Attach additional sheets if necessary. For Item 19, if the liner was not to the surface, indicate both the top and the bottom depth of the liner as the "Setting Depth."

ATTACHMENT H

CERTIFICATE OF POOLING AUTHORITY

P-12

Revised 05/2001

1. Field Name(s)	2. Lease/ID Number <i>(if assigned)</i>	3. RRC District Number
4. Operator Name	5. Operator P-5 Number	6. Well Number
7. Pooled Unit Name	8. API Number	9. Purpose of Filing
10. County	11. Total acres in pooled unit	<input type="checkbox"/> Drilling Permit (W-1) <input type="checkbox"/> Completion Report

DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT

TRACT/ PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT <i>(See inst. #7 below)</i>	INDICATE UNDIVIDED INTERESTS	
			UNLEASED	NON-POOLED
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Certificate of Pooling Authority is true, correct, and complete to the best of my knowledge.

 Signature Print Name

 Title E-mail *(if available)* Date Phone

INSTRUCTIONS — Reference: Statewide Rules 31, 38 and 40

1. When two or more tracts are pooled to form a unit to obtain a drilling permit, file completion paperwork, or reform a pooled unit pursuant to Rule 38(d)(3) the operator must file an original Certificate of Pooling Authority and certified plat.
2. The certified plat shall designate each tract with an outline and a tract identifier. The tract identifier on the plat shall correspond to the tract identifier and associated information listed on the Certificate.
3. If within an individual tract, a non-pooled and/or unleased interest exists, indicate by checking the appropriate box.
4. If the Purpose of Filing is to obtain a drilling permit, in box #1 list all applicable fields separately or enter "All Fields" if the Certificate pertains to all fields requested on Form W-1.
5. If the Purpose of Filing is to file completion paperwork, enter the applicable field name in box #1 for the completion.
6. Identify the drill site tract with an * to the left of the tract identifier.
7. The total number of acres in the pooled unit in #11 should equal the total of all acres in the individual tracts listed.

ATTACHMENT I

A. COMPLIANCE. In order to file a Form W-1 you must have a current P-5 Organization Report and financial assurance (if required) on file with the Commission (RRC) and be in compliance with all RRC rules and orders. DO NOT BEGIN DRILLING OPERATIONS UNTIL YOU HAVE RECEIVED AUTHORIZATION FROM THE RRC. The operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Commission on Environmental Quality, or its predecessor or successor agencies.

B. WHERE AND WHAT TO FILE. File with the RRC in Austin the original Form W-1 application package, which consists of the completed Form W-1, fee payment, plat, completed Forms W-1D or W-1H, as necessary, and other documents as required. For fees, make check or money order payable to Railroad Commission of Texas. For information on use of credit cards or pre-paid accounts, contact the RRC. The Rule 37/38 exception fee covers one or more exceptions on the same application; if other than a "new drill," provide the original exception case or docket number. Fees are non-refundable. The RRC may waive fees if an amended application is filed at the request of RRC. Before you may initially file computer-generated paper Forms W-1, the RRC must approve the template. You may also electronically file drilling permit applications. For information, call (512)463-6751 or check the RRC's web site at www.rrc.state.tx.us

C. PURPOSE OF FILING (Item 6.) *Recompletion* is working over an existing wellbore to complete in a different field/reservoir. *Re-entry* is going back into a wellbore that has been plugged to the surface. *Reclassification* is changing an existing well originally permitted only as injection/disposal or other service well to an oil or gas producing well or changing an existing well in the Panhandle East or West fields from oil to gas or gas to oil production. For anything other than a "New Drill," indicate the API number. If the API number is not known, in "Operator Remarks" area, give the original operator, lease, and well identification and date of original completion or plugging. A materially amended permit requires a new Form W-1 and applicable fees, and usually involves the addition of a field/reservoir or a change in location on a previously permitted well. Include the original drilling permit number when filing an application for an amended permit.

D. WELLBORE PROFILE (Item 7.) Check "sidetrack" only for recompletions or re-entries, if applicable. File **FORM W-1D, Supplemental Directional Well Information**, if the proposed well configuration will be directional with one or more bottomhole locations. File **FORM W-1H, Supplemental Horizontal Well Information**, if the proposed well configuration will be horizontal with one or more terminus locations. For these types of completions, several different sets of location data are required. This data may or may not be the same for each field applied for; however, each different proposed bottomhole location or lateral must be associated with at least one field

E. LOCATION SPACING AND DENSITY. The proposed location must be "regular" in terms of the RRC's spacing (Rule 37 or field rules) and density (Rule 38 or field rules) requirements for each listed field; otherwise, an exception to those requirements must be sought.

REGULAR locations are in accordance with either (1) statewide spacing minimums – 467' from the nearest lease line and 1,200' from the nearest well (applied for, permitted or completed) on the same lease in the same reservoir and statewide density minimums – 40 acres; (2) spacing and density minimums, (which may vary according to depth) for County Regular Fields (Districts 7B, 9, and McCulloch County), where there are no field rules and the proposed depth is 5,000' or shallower; or (3) spacing and density standards set out in special rules for the field. Field and County Regular rules are available on the Internet at www.rrc.state.tx.us.

EXCEPTIONS to minimum standard spacing and density requirements may be requested. The application requires additional information on a *certified* plat (see G, below) and a list of names and addresses of all offsetting operators or unleased mineral interest owners of each tract that is contiguous to the drill site tract. Clearly key the list to the plat so that each tract/operator can be readily identified. If you do not have the right to develop the minerals under any right-of-way that crosses or is contiguous to this tract and the well requires a Rule 37 or 38 exception, also list the name and address of the entity that holds that right. If requesting only a lease-line spacing exception, list only the names and addresses of all affected persons for tracts closer to the well than the greater of ½ the prescribed minimum between-well spacing distance or the minimum lease-line spacing distance. If requesting only a between-well spacing exception, list only the names and addresses of all affected persons for each adjacent tract and each tract nearer to the well than the greater of ½ the prescribed minimum between-well spacing distance or the minimum lease-line spacing. **NOTE:** If you penetrate a Rule 37 or 38 field/reservoir not listed on the application, you will not necessarily be allowed to use the existence of this wellbore as justification for an exception to complete this wellbore in such field/reservoir in the future.

F. ACREAGE – OTHER

Poolled Units: Multiple tracts may be pooled together to meet minimum drilling unit acreage requirements. Complete and attach Form P-12, *Certificate of Pooling Authority*. On the plat (see G, below) outline pooled unit AND each tract listed on the Form P-12. If pooled or unitized through a hearing and the Docket number is noted in Item 24 of Form W-1, no Form P-12 (Certificate of Pooling Authority) is needed.

Substandard Acreage: Complete and submit a Form W-1A, *Substandard Acreage Drilling Unit Certification*, with the first and only well on a substandard tract or lease, and when using surplus acreage as a substandard pooled unit.

Contiguous Acres: Rule 39 requires that all acres in the lease or pooled unit be contiguous. If a Rule 39 exception has already been granted for the subject lease or unit, provide the docket number and issuance date in the box in the upper left-hand corner of the Form W-1.

G. PLAT. All drilling permit applications must be accompanied by a legible, accurate plat, at a scale of 1" = 1,000' and showing at least the lease or pooled unit line nearest the proposed location AND the nearest section/survey lines. The plat for the initial well on a lease or pooled unit must be of the entire lease or unit (including all tracts being pooled). The plat for subsequent wells on the pooled unit for which a Form P-12 is required must show the entire pooled unit. If necessary, submit the large area plat at a scale of 1" = 2,000' showing the entire lease. Plats for Rule 37 and/or 38 exceptions must also be certified and have offsets keyed to the offset listing (see E, above). The plat must include (1) the surface location of the proposed drilling site (for directional wells, also indicate projected bottomhole location and for horizontal wells also indicate projected penetration points and terminus locations); (2) a line and the distance from the surface location to the nearest point on the lease line or pooled unit line; if there is an unleased interest in a tract of the pooled unit that is nearer than the pooled unit line, use the nearest point on that unleased tract boundary; (3) a perpendicular line from two nearest non-parallel survey/section lines to the proposed surface and the proposed bottomhole or terminus locations and indicate distances. (4) a line from the proposed surface location to the nearest oil or gas well (applied for, permitted, or completed) in the same lease or pooled unit and in the same field (also indicate the distance and the API number of that well); (5) the name, as applicable, of the county, survey, abstract, section, block, lot, subdivision, etc.; (6) a scale bar; and (7) the northerly direction.

H. INDIVIDUAL ITEMS ON THE FRONT OF FORM W-1:

Item 8. For a recompletion, provide the projected—not measured—true vertical depth. For a plug-back recompletion, give the depth of the plug setting.

Item 10. If the well is subject to Rule 36, you must file a Form H-9 (Certificate of Compliance Statewide Rule 36) with the appropriate RRC district office.

Item 11. Provide RRC District No. associated with the County listed in Item 12.

Item 19. For pooled units, if there is an unleased/non-pooled interest in a tract of the pooled unit that is nearer than the pooled unit line, give the distance to the nearest point on that unleased/non-pooled tract boundary.

Item 26. Provide the RRC District No. associated with the field.

Item 29. Use the following codes for Well Type: O = oil; G = gas; B = oil and gas; I = injection/disposal; R = storage; S = service; V = water supply; C = cathodic protection; T = exploratory test (core, stratigraphic, seismic, sulfur, uranium).

Item 30. Enter the approximate completion depth at which you may complete in each field listed. This depth must be less than or equal to the Total Vertical Depth.

Item 31. Distance to Nearest Well. Required only for wells identified as oil or gas in Item 29 and includes distance to any applied for or permitted location or completed well. This information is necessary for the purpose of ensuring compliance with spacing and density rules.

Item 32. Provide the total combined number of oil and gas wells only (include all applied for or permitted locations and completed wells). Do NOT include injection, disposal or other types of service wells.

**Railroad Commission of Texas
Oil and Gas Division
Application for Permit to Drill, Recomplete or Re-Enter**

Form W-1D 07/2004
Supplemental Directional Well Information

1. RRC Operator No.	2. Operator Name (as shown on P5 Organization Report)	3. Lease Name	4. Well No.
Lateral Drainhole Location Information			
5. Field as shown on Form W-1			
6. Section	7. Block	8. Survey	9. Abstract
10. County of BHL			
11. Bottom hole Lease Line Perpendiculars #1 _____ ft. from the _____ line and _____ ft. from the _____ line.			
12. Bottom hole Survey Line Perpendiculars _____ ft from the _____ line and _____ ft from the _____ line.			
13. Field as shown on Form W-1			
14. Section	15. Block	16. Survey	17. Abstract
18. County of BHL			
19. Bottom hole Lease Line Perpendiculars #2 _____ ft. from the _____ line and _____ ft. from the _____ line.			
20. Bottom hole Survey Line Perpendiculars _____ ft from the _____ line and _____ ft from the _____ line.			
21. Field as shown on Form W-1			
22. Section	23. Block	24. Survey	25. Abstract
26. County of BHL			
27. Bottom hole Lease Line Perpendiculars #3 _____ ft. from the _____ line and _____ ft from the _____ line.			
28. Bottom hole Survey Line Perpendiculars _____ ft from the _____ line and _____ ft from the _____ line.			

**Railroad Commission of Texas
Oil and Gas Division
Application for Permit to Drill, Recomplete or Re-Enter**

**Form W-1H
Supplemental Horizontal Well Information**

07/2004

1. RRC Operator No.	2. Operator Name (as shown on P5 Organization Report)	3. Lease Name	4. Well No.
Lateral Drainhole Location Information			
5. Field as shown on Form W-1			
6. Section	7. Block	8. Survey	9. Abstract
10. County of BHL			
11. Terminus Lease Line Perpendiculars #1 _____ ft. from the _____ line and _____ ft. from the _____ line.			
12. Terminus Survey Line Perpendiculars _____ ft from the _____ line and _____ ft from the _____ line.			
13. Penetration Point Lease Line Perpendiculars _____ ft. from the _____ line and _____ ft. from the _____ line.			
14. Field as shown on Form W-1			
15. Section	16. Block	17. Survey	18. Abstract
19. County of BHL			
20. Terminus Lease Line Perpendiculars #2 _____ ft. from the _____ line and _____ ft. from the _____ line.			
21. Terminus Survey Line Perpendiculars _____ ft from the _____ line and _____ ft from the _____ line.			
22. Penetration Point Lease Line Perpendiculars _____ ft. from the _____ line and _____ ft from the _____ line.			
23. Field as shown on Form W-1			
24. Section	25. Block	26. Survey	27. Abstract
28. County of BHL			
29. Terminus Lease Line Perpendiculars #3 _____ ft. from the _____ line and _____ ft from the _____ line.			
30. Terminus Survey Line Perpendiculars _____ ft from the _____ line and _____ ft from the _____ line.			
31. Penetration Point Lease Line Perpendiculars _____ ft from the _____ line and _____ ft from the _____ line.			

SUBSTANDARD ACREAGE CERTIFICATION

W-1A

Revised 05/2001

1. Operator Name	2. Operator P-5 Number	3. RRC District Number	
4. Lease, Pooled Unit or Unitized Tract Name	5. Lease/ID Number <i>(if assigned)</i>	6. Purpose of Filing	
7. Total Acres in Lease, Pooled Unit or Unitized Tract	8. Well Number	<input type="checkbox"/> Only Well <input type="checkbox"/> Surplus Acreage <input type="checkbox"/> Other	
9. County	10. API Number	Docket # _____	
11. Field 1	<i>RRC use only</i> Disc. Date	Rules Eff. Date	Rules Amd. Date
12. Field 2	Disc. Date	Rules Eff. Date	Rules Amd. Date
13. Field 3	Disc. Date	Rules Eff. Date	Rules Amd. Date

**CERTIFICATION FOR AN OPERATOR SEEKING A PERMIT ON A LEASE, POOLED UNIT OR UNITIZED TRACT WHICH CONTAINS
 SUBSTANDARD ACREAGE AS DEFINED BY EITHER STATEWIDE RULE 38 OR BY SPECIAL FIELD RULES.**

A. This lease, pooled unit or unitized tract was established as a separate tract in its present size and shape on _____ and has remained as such since that date.
 (mmddy)

- B. The ownership in this lease, unitized tract or the drill site tract of a pooled unit has not:
- I) been the same as or common to the ownership of any adjoining tract at any time after the date set forth in paragraph A.; and,
 - II) been unitized or pooled with any adjoining tract and accepted as a single tract for any Commission approved development or allowable purpose.

CERTIFICATION:

I declare under penalties prescribed pursuant to the Sec. 91.143, Texas Natural Resources Code, that I am authorized to make the foregoing statements and that the information provided by me or under my direction on this Substandard Acreage Certification is true, correct, and complete to the best of my knowledge.

 Signature _____
 Print Name

 Title _____ _____ _____
 E-mail *(if available)* Date Phone

INSTRUCTIONS — Reference: Statewide Rules 37(g) and 38(g)

1. File this form as an attachment to the Form W-1 when the subject acreage is substandard for a permit to drill, deepen, plugback, or reenter in any or all applied for fields if the property took its present size and shape prior to the attachment of applicable Commission density regulations. If the described property took its present size and shape subsequent to the adoption of those regulations, a SWR 38 exception may be required.
2. Provide the date the lease or unitized tract was formed in paragraph A above.

ATTACHMENT J

1 The Railroad Commission of Texas (Commission) adopts amendments to §§3.5, 3.31, 3.38, 3.40,
2 3.45, 3.51, 3.52, and 3.86, relating to Application To Drill, Deepen, Reenter, or Plug Back; Gas
3 Reservoirs and Gas Well Allowable; Well Densities; Assignment of Acreage to Pooled Development and
4 Proration Units; Oil Allowables; Oil Potential Test Forms Required; Oil Well Allowable Production; and
5 Horizontal Drainhole Wells, respectively. Sections 3.5, 3.31, 3.38, 3.40, 3.45, 3.51 and 3.52 are adopted
6 without changes, and §3.86 is adopted with changes from the proposed text as published in the November
7 6, 2015, issue of the *Texas Register* (40 TexReg 7766).

8 The Commission adopts the amendments to establish a procedure for designating certain fields as
9 unconventional fracture treated fields ("UFT fields"). A UFT field is a field in which horizontal drilling
10 and hydraulic fracturing must be used in order to recover resources from all or part of the field and which
11 is developed using either vertical or horizontal drilling techniques. This designation includes shale
12 formations, such as the Eagle Ford and Barnett Shale, in which the drainage of a wellbore is based upon
13 the area reached by the hydraulic fracturing treatments rather than conventional flow patterns. The
14 substantive amendments to incorporate this concept are adopted in §3.86(i) - (l), with supporting and
15 conforming amendments proposed in the other sections.

16 Additionally, the Commission adopts amendments to update various Commission requirements
17 related to the drilling of horizontal drainhole wells as defined in §3.86(a)(5). The Commission adopts
18 these amendments to incorporate common special field rule provisions, which apply on a field-by-field
19 basis, into rules that apply statewide. The amendments will reduce and simplify field rule hearings,
20 resulting in a more efficient regulatory process. The amendments would implement requirements related
21 to the following: (1) take points through which a horizontal drainhole can be produced; (2) notification
22 for off-lease penetration points when the proposed horizontal drainhole will penetrate the productive
23 formation at a point not on the applicant's lease, pooled unit or developmental tract; (3) the creation and
24 production of a structure known as a "stacked lateral" wellbore (a series of horizontal drainholes
25 producing from the same geographical area at differing depths); and (4) plats for permitting, drilling and
26 completion of horizontal wells.

1 Further, the Commission adopts non-substantive amendments to clarify, update, and conform the
2 rules to current Commission practice.

3 The Commission received comments from 47 parties, including six associations, two companies,
4 and 39 individuals.

5 Comments from Occidental Petroleum Corporation (Occidental) and one individual, and a late-
6 filed comment from Apache Corporation (Apache) stated support for the proposed rule changes and
7 contained no recommended changes. The Commission thanks these commenters for their support.

8 Four associations (Texas Oil and Gas Association (TXOGA), Texas Independent Producers and
9 Royalty Owners Association (TIPRO), Permian Basin Petroleum Association (PBPA), and Texas
10 Alliance of Energy Producers (the Alliance)) filed comments supporting the proposed amendments and
11 suggesting one change to §3.86(i)(2)(A)(ii) regarding the designated person to bear the burden of proof
12 in the event a hearing is set on the Commission's motion.

13 The Commission agrees with the suggestion and adopts §3.86(i)(2)(A)(ii) with a change to
14 require the proponent of UFT field designation to bear the burden of proof.

15 The remaining individuals, most of whom identified themselves as professional land surveyors,
16 and two associations (the Texas Society of Professional Surveyors and the Texas Board of Professional
17 Land Surveying) expressed general support for the proposed rule changes, but objected to the inclusion
18 of professional engineers within proposed §3.86(g)(6) regarding plat requirements.

19 The Commission disagrees with this objection. Professional engineers are included in
20 §3.86(g)(6) because they are qualified to certify downhole data provided to the Commission. Further,
21 Section 3.86(g)(6) does not alter the scope of authority granted to professional land surveyors or to
22 professional engineers. That scope of authority is established by relevant statutes and rules, and is
23 enforced by the authorities created to regulate those professions. The authority granted to either
24 profession is not affected by the Commission's acceptance of certifications related to work performed
25 pursuant to that authority. Therefore, the Commission makes no change in response to these comments.

26 A separate comment filed by PBPA supported the proposed amendments and addressed some of

1 the comments from the professional land surveyors regarding §3.86(g)(6). PBPA stated that the
2 proposed amendments did not modify the Commission's standards for plats, boundary surveys, or other
3 products of registered professional land surveyors. The Commission agrees. The amendments do not
4 affect the authority of professional land surveyors and professional engineers, and do not permit acts that
5 are not authorized by either profession's governing statutes or rules.

6 As adopted, the amendments to §3.5 provide plat standards for the drilling of horizontal wells,
7 and require applicants to provide GPS coordinates in connection with drilling permit applications.

8 The amendments to §3.31 conform the wording related to allowable assignments for gas wells in
9 UFT fields, and update provisions regarding the correct office in which to file completion reports.

10 The amendments to §3.38 add a reference to the UFT field procedures found in §3.86(k).

11 The amendments to §3.40 provide that in UFT fields the assignment of acreage to vertical wells
12 and the assignment of acreage to horizontal wells will be regulated independently of one another. The
13 amendments also clarify requirements and update language regarding the filing of Form P-12, Certificate
14 of Pooling Authority, and the filing of Form P-16, Acreage Designation. Finally, the amendments clarify
15 the right of offset, overlying, or underlying operators and lessors or mineral interest owners to file a
16 complaint in situations where a violation of applicable acreage assignment rules may exist.

17 The amendments to §3.45 add a reference to the UFT field provisions found in §3.86(d).

18 The amendments to §3.51 provide that potential tests will be filed by the deadline for completion
19 reports, and that the resulting allowable may be backdated no more than 30 days. These amendments will
20 conform §3.51 to previous amendments to §3.16, related to Log and Completion or Plugging Report,
21 adopted by the Commission effective April 28, 2015.

22 The amendments to §3.52 provide for administrative cancellation of overproduction following
23 notice to offset operators in the field. This change will provide for cancellation of overproduction
24 without the need for a hearing in situations where there is no protest to the cancellation and where the
25 subject wells are otherwise compliant with Commission rules.

26 The majority of the adopted substantive amendments are found in §3.86, which is adopted with

1 one change, as previously discussed. Amendments to §3.86(a) define nonperforation zone, record well,
2 stacked lateral well, unconventional fracture treated field, and the different types of take points.

3 Amendments to §3.86(b) implement take point language and provisions related to nonperforation
4 zones within horizontal drainhole wells. The new language also adds additional requirements related to
5 plats to be filed in connection with such drainholes.

6 Amendments to §3.86(d) clarify the assignment of production allowables for horizontal drainhole
7 wells in conventional fields and in UFT fields.

8 Section 3.86(f) implements the use of stacked lateral wells as defined in §3.86(a)(10). Due to the
9 limited area drained by this structure, the amendments treat a stacked lateral well as a single wellbore for
10 purposes of calculating density and assigning allowable.

11 Section §3.86(g), which was §3.86(f) in the previous version of this rule, implements notice
12 requirements related to drilling permit applications for wellbores in which the entry into the correlative
13 interval occurs on an offsite tract.

14 Section 3.86(i) establishes criteria for designation of a field as a UFT field. The language
15 establishes criteria which, if met, would allow such designation of a field without the need for a hearing;
16 and further provides for a hearing process if the field does not meet the criteria for administrative
17 processing or if an objection is filed. The language provides that either an operator or Commission staff
18 may initiate the designation process. In all cases, a UFT field will be designated by Commission order.
19 The Commission adopts a change in subsection (i)(2)(A)(ii) to clarify the burden of proof.

20 Section 3.86(j) clarifies that if an existing special field rule applies to a field designated as a UFT
21 field, the special field rule prevails over all conflicting provisions in Chapter 3 of this title (relating to Oil
22 and Gas Division). This subsection also provides for certain limited areas in which amendments to
23 special field rules in UFT fields may be made upon notice to all affected parties but without the need for
24 a hearing if there are no objections to the proposed change. Specifically, the language provides that,
25 absent any objection from an affected party, a hearing may not be required to: reduce the standard
26 density to one-half of the existing density, delete a between-well spacing rule, or alter the controlling

1 provision under which the allowable is calculated. Similar provisions have been adopted as special field
2 rules for fields in which horizontal drilling and hydraulic fracturing treatments are common.

3 Section 3.86(k) establishes an alternate procedure for approval of density exceptions for wells in
4 UFT fields. The alternate procedure includes notice provisions to allow affected parties an opportunity to
5 object to the approval of a density exception. In the absence of any objection, the alternate procedure
6 provides for the administrative approval of such exceptions without the need for a hearing or the
7 submission of supporting data. Similar provisions have been adopted as special field rules for fields in
8 which horizontal drilling and hydraulic fracturing treatments are common.

9 Section 3.86(l) allows flowing oil wells in UFT fields to be completed without tubing for a six-
10 month period. The provision allows for six-month extensions of the exception in cases where the flowing
11 pressure remains above 300 psig surface wellhead flowing pressure, and requires the submission of a
12 revised completion report once the well has been equipped with the required tubing string. Similar
13 provisions have been adopted as special field rules for fields in which horizontal drilling and hydraulic
14 fracturing treatments are common.

15 While the form is not included in this proposal, the Commission also adopts amended Form P-16
16 to make conforming changes related to the amendments to §3.40. More information on the adopted form
17 changes is provided on the Commission's Proposed Forms Amendment web page at
18 <http://www.rrc.texas.gov/about-us/resource-center/forms/proposed-form-changes/>.

19 The Commission adopts the amendments pursuant to Texas Natural Resources Code §§81.051
20 and 81.052, which provide the Commission with jurisdiction over all persons owning or engaged in
21 drilling or operating oil or gas wells in Texas and the authority to adopt all necessary rules for governing
22 and regulating persons and their operations under Commission jurisdiction; Texas Natural Resources
23 Code §§85.042, 85.202, 86.041 and 86.042, which require the Commission to adopt rules to control
24 waste of oil and gas; and Texas Natural Resources Code §85.053, which authorizes the Commission to
25 adopt rules relating to the allocation of production allowables.

26 Texas Natural Resources Code, §§81.051, 81.052, 85.042, 85.202, 86.041, 86.042, and 85.053

1 are affected by the proposed amendments.

2 Statutory authority: Texas Natural Resources Code §§81.051, 81.052, 85.042, 85.202, 86.041,
3 86.042, and 85.053.

4 Cross-reference to statute: Texas Natural Resources Code, Chapters 81, 85, and 86.
5 §3.5. Application To Drill, Deepen, Reenter, or Plug Back.

6 (a) - (g) (No change.)

7 (h) Plats. An application to drill, deepen, plug back, or reenter shall be accompanied by a neat,
8 accurate plat, with a scale of one inch equals 1,000 feet. The plat for the initial well on the lease, pooled
9 unit, or unitized tract shall show the entire lease, pooled unit, or tract, including all tracts being pooled. If
10 necessary to show the entire lease, the scale may be one inch equals 2,000 feet. Plats for subsequent
11 wells on a lease or pooled unit shall show at least the lease or pooled unit line nearest the proposed
12 location and the nearest survey/section lines. The Division Director or the director's delegate may
13 approve plats with other scales upon request.

14 (1) The lease shall be outlined on the plat using either a heavy line or crosshatching.

15 (2) For vertical wells, the [The] plat shall [is to] include the following:

16 (A) the surface location of the proposed drilling site;

17 (B) perpendicular lines providing the distance in feet from the two nearest non-
18 parallel survey/section lines to the surface location;

19 (C) perpendicular lines providing the distance in feet from the two nearest non-
20 parallel lease lines to the surface location;

21 (D) - (E) (No change.)

22 (F) the geographic location information, including the Latitude/Longitude or
23 X/Y coordinates in the NAD 27, NAD 83, or WGS 84 coordinate system;

24 (G) - (H) (No change.)

25 (3) For horizontal wells, the plat shall include the following:

26 (A) the surface location of the proposed drilling site, penetration point, first take

1 point, last take point, and terminus location;

2 (B) perpendicular lines providing the distance in feet from the two nearest non-
3 parallel survey/section lines to the surface location;

4 (C) perpendicular lines providing the distance in feet from the two nearest non-
5 parallel lease lines to the surface location; if location is offlease, then provide the distance in feet from
6 the two nearest non-parallel survey/section lines to the surface location;

7 (D) a line providing the distance in feet from the horizontal wellbore between
8 and including the penetration point and the terminus location to the nearest point on the lease line, pooled
9 unit line, or unitized tract line. If there is an unleased interest in a tract of the pooled unit that is nearer
10 than the pooled unit line, the nearest point on that unleased tract boundary shall be indicated. A line
11 providing the distance in feet from the horizontal wellbore between and including the first take point and
12 the last take point to the nearest point on the lease line shall be indicated. If there are multiple leases,
13 pooled units and/or unitized tracts closer to the horizontal course(s) of the drainhole(s) than allowed by
14 the applicable spacing rule, then the operator shall provide the distance in feet from the closest take point
15 to each such tract;

16 (E) a line providing the distance in feet from the wellbore from the penetration
17 point through the terminus location to the nearest oil, gas, or oil and gas well identified by number either
18 applied for, permitted, or completed in the same lease, pooled unit, or unitized tract and in the same field
19 and reservoir. A line providing the distance in feet from the wellbore between and including the first take
20 point and the last take point to the nearest oil, gas, or oil and gas well identified by number either applied
21 for, permitted, or completed in the same lease, pooled unit, or unitized tract and in the same field and
22 reservoir;

23 (F) the geographic location information for the surface location of the well,
24 including the Latitude/Longitude or X/Y coordinates in the NAD 27, NAD 83, or WGS 84 coordinate
25 system;

26 (G) a labeled scale bar; and

1 (H) northerly direction.

2 (4) [(3)] Requirements for plats as provided for in §3.11, §3.37, §3.38, and §3.86 of this
3 title (relating to Inclination and Directional Surveys Required, Statewide Spacing Rule, Well Densities,
4 and Horizontal Drainhole Wells) may supplement or replace the plat requirements set out above.

5
6 §3.31. Gas Reservoirs and Gas Well Allowable.

7 (a) (No change.)

8 (b) Changes in gas well allowables.

9 (1) Changes in allowable of gas wells currently assigned an allowable will be effective
10 on the date of the test or date of the change affecting the well's allowable (when the operator submits
11 special tests or information), provided this is not more than 15 days prior to the date the special test or
12 information is received in the appropriate Commission [~~district~~] office.

13 (2) With respect to a multicompleted well, the allowable of the second and succeeding
14 zones will be made effective no earlier than the date the last report or item necessary for the assignment
15 of an allowable is received in the appropriate Commission [~~commission~~] office.

16 (3) (No change.)

17 (4) The maximum daily allowable for a horizontal drainhole gas well or a gas well in a
18 designated unconventional fracture treated (UFT) field is set forth in §3.86(d)(4) and (5) of this title
19 (relating to Horizontal Drainhole Wells).

20 (c) - (k) (No change.)

21
22 §3.38. Well Densities.

23 (a) - (i) (No change.)

24 (j) The requirements for density exceptions for wells in a designated unconventional fracture
25 treated (UFT) field are set forth in §3.86(k) of this title (relating to Horizontal Drainhole Wells).

26

1 §3.40. Assignment of Acreage to Pooled Development and Proration Units.

2 (a) An operator may pool acreage, in accordance with appropriate contractual authority and
3 applicable field rules, for the purpose of creating a drilling unit or proration unit by filing an original
4 certified plat delineating the pooled unit and a Certificate of Pooling Authority, Form P-12 [~~revised~~
5 ~~5/2001~~], according to the following requirements:

6 (1) Each tract in the certified plat shall be identified with an outline and a tract identifier
7 that corresponds to the tract identifier listed on [~~the~~] Form P-12.

8 (2) The operator shall provide information on [~~the Certificate of Pooling Authority,~~]
9 Form P-12, accurately and according to the instructions on the form.

10 (A) - (B) (No change.)

11 (C) The operator shall state on Form P-12 the total number of acres in the pooled
12 unit. The total number of acres in the pooled unit shall equal the sum of all acres in each individual tract
13 listed. The total acreage shown on Form P-12 shall only include tracts in which the operator holds a
14 leased or ownership interest in the minerals or other contractual authority to include the tract in the
15 pooled unit.

16 (D) (No change.)

17 (E) The operator shall provide the requested identification and contact
18 information on [~~the~~] Form P-12.

19 (F) The operator shall certify the information on [~~the~~] Form P-12 by signing and
20 dating the form.

21 (3) Failure to timely file the required information on the certified plat or [~~the~~] Form P-12
22 may result in the dismissal of the W-1 application. "Timely" means within three months of the
23 Commission notifying the operator of the need for additional information on the certified plat and/or
24 [~~the~~] Form P-12.

25 [~~(4) The operator shall file the original certified plat and Form P-12 at the Commission's~~
26 ~~Austin office. The operator shall file a copy of the certified plat and Form P-12 with the appropriate~~

1 ~~Commission district office or offices. If the operator files electronically through the Commission's~~
2 ~~Electronic Compliance and Approval Process (ECAP) system, the operator is not required to file~~
3 ~~additional paper copies in the appropriate Commission district office, because all Commission offices~~
4 ~~will have electronic access to the Form P-12 and certified plat.]~~

5 (4) [(5)] The operator shall file [the] Form P-12 and a certified plat in the following
6 instances:

7 (A) with the drilling permit application when two or more tracts are joined to
8 form a pooled unit for Commission purposes [~~to obtain a drilling permit~~];

9 (B) with the initial completion report if any information reported on Form P-12
10 has changed since the filing of the drilling permit application [~~paperwork when the pooled unit's acreage~~
11 ~~is being used or assigned for allowable purposes~~];

12 (C) to designate a pooled unit formed after a completion report [~~paperwork~~] has
13 been filed [~~when the pooled unit's acreage is being used or assigned for allowable purposes~~]; or

14 (D) to designate a change in a pooled unit previously recognized by the
15 Commission. The operator shall file any changes to a pooled unit in accordance with the requirements of
16 §3.38(d)(3) of this title[;] (relating to Well Densities).

17 (b) If a tract to be pooled has an outstanding interest for which pooling authority does not exist,
18 the tract may be assigned to a unit where authority exists in the remaining undivided interest, provided,
19 that total gross acreage in the tract is included for allocation purposes, and the certificate filed with the
20 Commission [~~commission~~] shows that a certain undivided interest is outstanding in the tract. The
21 Commission may [~~commission will~~] not allow an operator to assign only the operator's [~~his~~] undivided
22 interest out of a basic tract, where a nonpooled interest exists.

23 (c) The nonpooled undivided interest holder retains the [~~his~~] development rights in the [~~his~~] basic
24 tract. If the development rights are exercised, the Commission grants authority to develop the basic tract,
25 and the well is completed as a producing well on the basic tract, then the entire interest in the basic tract
26 and any interest pooled with another tract shall be assigned to the well on the basic tract for allocation

1 ~~purposes. [, and should such rights be exercised, authority to develop the basic tract be approved by the~~
2 ~~commission, and a well completed as a producer thereon, then the entire interest in the basic tract must~~
3 ~~be allocated to said well, and any interest insofar as it is pooled with another tract must be assigned to the~~
4 ~~well on the basic tract for allocation purposes.] Splitting of an undivided interest in a basic tract between~~
5 two or more wells on two or more tracts is not acceptable.

6 (d) Except as provided in subsection (e) of this section, acreage ~~Acreage~~ assigned to a well for
7 drilling and development, or for allocation of allowable, shall not be assigned to any other well or wells
8 completed or projected to be ~~[or]~~ completed in the same field ~~[reservoir]~~; such duplicate assignment of
9 acreage is not acceptable. However, ~~[, provided, however, that]~~ this limitation shall not prevent the
10 reformation of development or proration units so long as:

11 (1) no duplicate assignment of acreage occurs; ~~[;]~~ and

12 (2) [further, that] such reformation does not violate other conservation regulations.

13 (e) In unconventional fracture treated (UFT) fields defined in §3.86 of this title (relating to
14 Horizontal Drainhole Wells), duplicate assignment of acreage to both a horizontal well and a vertical
15 well for drilling and development or for allocation of allowable is permissible as follows:

16 (1) The field density rules apply independently to horizontal wells and vertical wells.
17 Acreage assigned to horizontal wells shall not count against acreage assigned to vertical wells, and
18 acreage assigned to vertical wells shall not count against acreage assigned to horizontal wells.

19 (2) Acreage assigned to horizontal wells for drilling and development, or for allocation
20 of allowable, shall be acceptable so long as the horizontal well density complies with §3.38 of this title
21 and/or special field rules, as applicable.

22 (3) Acreage assigned to vertical wells for drilling and development, or for allocation of
23 allowable, shall be acceptable so long as the vertical well density complies with §3.38 of this title and/or
24 special field rules, as applicable.

25 (4) For the purposes of this section, stacked lateral wells as defined in §3.86(a)(10) of
26 this title are not considered duplicate assignment of acreage to multiple horizontal wells.

1 (f) If an offset, overlying, or underlying operator, or a lessee or unleased mineral interest owner
2 determines that any operator has assigned identical acreage to two or more concurrently producing wells
3 in violation of this section, the operator or owner may file a complaint with the Hearings Division to
4 request that a hearing be set to consider the issues raised in the complaint. If the Commission determines
5 after a hearing on the complaint that acreage has been assigned in violation of this section, the
6 Commission may curtail or cancel the allowable production rate for any affected wells and/or may cancel
7 the Certificate of Compliance (Form P-4) for any affected wells for failure to comply with this section.

8 (g) An operator shall file Form P-16, Acreage Designation, with each drilling permit application
9 and with each completion report for horizontal wells in any field and for all wells in designated UFT
10 fields as defined in §3.86 of this title. The operator may file Form P-16 with each drilling permit
11 application and with each completion report for all other wells. The operator may also file proration unit
12 plats for individual wells in a field.

13
14 §3.45. Oil Allowables.

15 (a) Oil allowable yardsticks.

16 (1) - (4) (No change.)

17 (5) The maximum daily allowable for a horizontal drainhole oil well or an oil well in a
18 designated unconventional fracture treated (UFT) field is set forth in §3.86(d)(4) and (5) of this title
19 (relating to Horizontal Drainhole Wells).

20 (b) - (c) (No change.)

21
22 §3.51. Oil Potential Test Forms Required.

23 (a) A completed potential test form [~~with all information requested thereon filled in~~] shall be
24 filed with the Commission [~~in the district office~~] not later than the deadline for filing completion reports
25 under §3.16 of this title (relating to Log and Completion or Plugging Report) [~~10 days after the test is~~
26 ~~completed~~]. If the operator fails to file a potential test in an acceptable form prior to the deadline for

1 filing completion reports as specified under §3.16 of this title [~~within the 10 day period~~], then the
2 effective date of the allowable resulting from the test shall not extend back more than 30 [~~10~~] days prior
3 to the date that the test form, properly completed, is filed with the Commission [~~in the district office~~].
4 This 30-day [~~The 10-day~~] provision shall govern regardless of whether the potential test is taken during
5 the month in which it is received by the Commission [~~in the district office~~] or any prior month.

6 (b) (No change.)
7

8 §3.52. Oil Well Allowable Production.

9 (a) - (f) (No change).

10 (g) Administrative cancelation of overproduction.

11 (1) An operator may request in writing to the Commission that overproduction for a
12 specific lease be canceled. The request shall include a listing of the names and addresses of all offsetting
13 operators in the same field as the lease for which the request is filed.

14 (2) Upon receipt of an operator's written request:

15 (A) Commission staff shall determine whether the operator's wells on the
16 specified lease are in compliance with Commission rules excluding rules pertaining to overproduction.

17 (B) If the wells are found to be in compliance, the Commission staff shall send
18 written notice to offset operators as identified in the request advising them of the request and giving them
19 not less than 15 days to file a written objection to the request.

20 (C) If no objection to the request is received, the overproduction on the lease
21 requested by the operator shall be canceled.

22 (D) If objection to the request is received or if Commission staff determines that
23 the operator's wells are not in compliance with Commission rules excluding rules pertaining to
24 overproduction, then the requested cancelation shall not be administratively approved. The operator may
25 request that the matter be scheduled for public hearing pursuant to Tex. Nat. Res. Code §86.090. The
26 burden of proof shall be on the applicant operator.

1 §3.86. Horizontal Drainhole Wells.

2 (a) Definitions. The following words and terms, when used in this section, shall have the
3 following meanings, unless the context clearly indicates otherwise.

4 (1) Correlative interval--The depth interval designated by the field rules[;] or by new
5 field designation on Form P-7 (New Field Designation) [~~or, where a correlative interval has not been~~
6 ~~designated by the commission, by other evidence submitted by the operator showing the producing~~
7 ~~interval for the field in which the horizontal drainhole is completed~~].

8 (2) First take point--The take point in a horizontal drainhole well nearest to the point
9 where the drainhole penetrates the top of the correlative interval. The first take point may be at a location
10 different from the penetration point.

11 (3) [(2)] Horizontal drainhole--That portion of the wellbore drilled in the correlative
12 interval, between the penetration point and the terminus.

13 (4) [(3)] Horizontal drainhole displacement--The calculated horizontal displacement of
14 the horizontal drainhole from the first take point to the last take point [~~penetration point to the terminus~~].

15 (5) [(4)] Horizontal drainhole well--Any well that is developed with one or more
16 horizontal drainholes having a horizontal drainhole displacement of at least 100 feet.

17 (6) Last take point--The take point in a horizontal drainhole well nearest the terminus.
18 The last take point may be at a location different from the terminus.

19 (7) Nonperforation zone (NPZ)--A portion of a horizontal drainhole well within the field
20 between the first take point and the last take point that the operator has intentionally designated as
21 containing no take points pursuant to the spacing requirements in §3.37 of this title (relating to Statewide
22 Spacing Rule).

23 (8) [(5)] Penetration point--The point where the drainhole penetrates the top of the
24 correlative interval.

25 (9) Record well--The single horizontal drainhole within a stacked lateral well designated
26 by the operator as the record well for reporting purposes.

1 (10) Stacked lateral well--A horizontal drainhole well in which the following conditions
2 are met:

3 (A) there are two or more horizontal drainhole wells on the same lease, pooled
4 unit, or unitized tract at different depths within the correlative interval for the field;

5 (B) the horizontal drainholes are drilled from different surface locations;

6 (C) all take points of a stacked lateral well's horizontal drainholes are within a
7 rectangular area the width of which is 660 feet, and the length of which is 1.2 times the distance between
8 the first and last take points of the record well;

9 (D) all horizontal drainholes are tested independently and have the same
10 classification (i.e., gas or oil). Only horizontal drainholes of the same classification are eligible to be
11 designated as a stacked lateral well; and

12 (E) there is only one operator for the stacked lateral well.

13 (11) Take point in a horizontal drainhole well--Any point along a horizontal drainhole
14 where oil and/or gas can be produced from the correlative interval.

15 (12) [(6)] Terminus--The farthest point required to be surveyed along the horizontal
16 drainhole from the penetration point and within the correlative interval.

17 (13) Unconventional fracture treated (UFT) field--A field designated by the Commission
18 under subsection (i) of this section for which horizontal well development and hydraulic fracture
19 treatment (as defined in §3.29(a)(15) and (16) of this title (relating to Hydraulic Fracturing Chemical
20 Disclosure Requirements)) must be used in order to recover resources from all or a part of the field and
21 which may include the drilling of vertical wells along with the drilling of horizontal wells.

22 (b) Drainhole spacing.

23 (1) No take point on a horizontal drainhole shall be located [~~drilled~~] nearer than 1,200
24 feet (horizontal displacement), or other between-well spacing requirement under applicable rules for the
25 field, to any take point along any other horizontal drainhole in another well, or to any other well
26 completed or permitted [~~drilling~~] in the same field on the same lease, pooled unit, or unitized tract.

1 (2) No take point on a horizontal drainhole shall be located [~~drilled~~] nearer than 467 feet,
2 or other lease-line spacing requirement under applicable rules for the field, from any property line, lease
3 line, or subdivision line.

4 (3) All wells developed with horizontal drainholes shall otherwise comply with
5 [~~Statewide Rule 37;~~] §3.37 of this title (relating to Statewide Spacing Rule), or other applicable spacing
6 rules.

7 (4) If the drilling permit application indicates that there will be one or more NPZs, then
8 the as-drilled plat filed after completion of the well shall be certified by a person with knowledge of the
9 facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all
10 pertinent and required data. In addition to the information required under subsection (f) of this section,
11 the certified as-drilled plat shall include:

12 (A) the as-drilled track of the wellbore;

13 (B) the location of each take point on the wellbore;

14 (C) the boundaries of any wholly or partially unleased tracts within the distance
15 permitted under §3.37 of this title or applicable special field rules of the wellbore; and

16 (D) notations of the shortest distance from each wholly or partially unleased tract
17 within the distance permitted under §3.37 of this title or applicable special field rules of the wellbore to
18 the nearest take point on the wellbore.

19 (5) To comply with the spacing requirements set forth in paragraph (3) of this
20 subsection, the take-points along the as-drilled location of a properly permitted horizontal drainhole shall
21 fall within a rectangle established as follows:

22 (A) two sides of the rectangle are parallel to the permitted drainhole and 50 feet
23 or 10% of the minimum distance to any property line, lease line or subdivision line, whichever is greater,
24 on either side of the drainhole; and

25 (B) the other two sides of the rectangle are perpendicular to the sides described
26 in subparagraph (A) of this paragraph, with one of those sides passing through the permitted first take

1 point and the other side passing through the permitted last take point.

2 (6) Prior to perforating the wellbore within an approved NPZ, the operator must amend
3 the permit to authorize perforations within the originally-approved NPZ.

4 (c) Well densities. All wells developed with horizontal drainholes shall comply with [~~Statewide~~
5 ~~Rule 38,~~] §3.38 of this title (relating to Well Densities) or other applicable density rules.

6 (d) Proration and drilling units.

7 (1) (No change.)

8 (2) Assignment of acreage to proration and drilling units for horizontal drainhole wells
9 shall comply with [~~must be done in accordance with Statewide Rule 40,~~] §3.40 of this title (relating to
10 Assignment of Acreage to Pooled Development and Proration Units).

11 (3) (No change.)

12 (4) The maximum daily allowable assigned to a horizontal well shall comply with the
13 table in subsection (d)(1) of this section and the maximum daily allowable specified by paragraph (5) of
14 this subsection, unless special field rules specify different requirements for acreage or maximum daily
15 allowable. [~~All points on the horizontal drainhole must be within the proration and drilling unit.~~]

16 (5) The maximum daily allowable for a horizontal drainhole well in a designated UFT
17 field shall be 100 barrels of oil for each acre that is assigned to an oil well for allowable purposes, or 600
18 Mcf of gas for each acre that is assigned to a gas well for allowable purposes. This paragraph does not
19 affect suspension of the allocation formula under §3.31(j) of this title (relating to Gas Reservoirs and Gas
20 Well Allowable). The maximum daily allowable for a horizontal drainhole well in a field that has not
21 been designated as a UFT field shall be determined by multiplying the applicable allowable for a vertical
22 well in the field with a proration unit containing the maximum acreage authorized by the applicable rules
23 for the field, exclusive of tolerance acreage, by a fraction:

24 (A) (No change.)

25 (B) the denominator of which is the maximum acreage authorized by the
26 applicable field rules for proration purposes, exclusive of tolerance acreage. The daily oil allowable shall

1 be adjusted in accordance with [~~Statewide Rule 49(a);~~] §3.49(a) of this title (relating to Gas-Oil Ratio),
2 when applicable.

3 (6) All points on the horizontal drainhole from the first take point to the terminus shall
4 be within the proration and drilling unit. If the penetration point is located on an offsite tract, the
5 conditions prescribed in subsection (g) of this section shall be met before the drilling permit application
6 is submitted to the Commission.

7 [~~(6) The maximum diagonal for each proration unit containing a horizontal drainhole~~
8 ~~well shall be the horizontal drainhole displacement of the longest horizontal drainhole for the well plus:]~~

9 [~~(A) 2,100 feet for fields that are regulated under statewide rules; or]~~

10 [~~(B) the maximum diagonal allowed for fields where the special field rules~~
11 ~~specify a maximum diagonal.]~~

12 (e) (No change.)

13 (f) Stacked lateral wells.

14 (1) For oil and gas wells, stacked lateral wells within the correlative interval for the field
15 may be considered a single well for density and allowable purposes, at an operator's discretion. If an
16 operator chooses to designate horizontal drainholes as a stacked lateral well, the operator shall designate:

17 (A) one horizontal drainhole within the stacked lateral well as the record well.

18 An operator may change the record well designation to another wellbore by filing amended drilling
19 permit applications and completion reports for the previous and the new record well; and

20 (B) all points, from the first take point to the last take point, of the record well
21 for a stacked lateral well are within the proration and drilling unit designated for that well.

22 Notwithstanding paragraph (4) of this subsection, all points from the first take point to the last take point
23 of any other horizontal drainhole comprising the stacked lateral well are not required to be within the
24 proration and drilling unit designated for the record well so long as they otherwise comply with the
25 requirements of this section and any applicable lease line spacing rules.

26 (2) For the purpose of assigning additional acreage to the stacked lateral well, the

1 horizontal drainhole displacement shall be calculated based on the distance from the first take point to
2 the last take point in the horizontal drainhole for the record well, regardless of the horizontal drainhole
3 displacement of other horizontal drainholes of the stacked lateral well.

4 (3) Each surface location of a stacked lateral well shall be permitted separately and
5 assigned an API number. When applying for a drilling permit for a stacked lateral well, the operator
6 shall:

7 (A) identify each surface location of such well as a stacked lateral well on the
8 Form W-1 drilling permit application;

9 (B) identify on the plat any other existing, or applied for, horizontal drainholes
10 comprising the stacked lateral well being permitted; and

11 (C) depict on the plat a rectangle described in subsection (a)(10)(C) of this
12 section indicating the lateral boundaries of the stacked lateral well.

13 (4) Each horizontal drainhole of a stacked lateral well shall comply with: the applicable
14 minimum spacing distance under §3.37 of this title or any applicable special field rules for any lease,
15 pooled unit or property line; and the applicable minimum between well spacing distance under §3.37 of
16 this title or any applicable special field rules for any different well, including all horizontal drainholes of
17 any other stacked lateral well, on the same lease or pooled unit in the field. An operator may seek an
18 exception to §3.37 or §3.38 of this title for stacked lateral wells in accordance with the Commission's
19 rules in this chapter or any applicable special field rule. There are no maximum or minimum distance
20 limitations between horizontal drainholes of a stacked lateral well in a vertical direction.

21 (5) An operator shall file separate completion forms for each surface location of the
22 stacked lateral well. An operator shall also file a certified plat showing the as-drilled location for each
23 surface location of a stacked lateral well. The certified as-drilled plat shall:

24 (A) show each horizontal drainhole from each surface location; and

25 (B) depict on the plat a rectangle described in subsection (a)(10)(C) of this
26 section indicating the lateral boundaries of the stacked lateral well.

1 (6) In addition to the record well, each surface location of a stacked lateral well shall be
2 listed on the proration schedule, but no allowable shall be assigned for an individual surface location.
3 Each surface location of a stacked lateral well shall be required to have a separate well status report
4 (Form G-10 or Form W-10, as applicable) and the sum of all horizontal drainhole test rates shall be
5 reported as the test rate for the record well.

6 (7) An operator shall report all production from horizontal drainholes included as a
7 stacked lateral well on the production report that includes the record well. Production reported for a
8 record well shall equal the total production from all of the horizontal drainholes comprising the stacked
9 lateral well. An operator shall measure the production from each surface location of a stacked lateral
10 well. An operator shall measure the full well stream with the measurement adjusted for the allocation of
11 condensate based on the gas to liquid ratio established by the most recent Form G-10 test rate for that
12 surface location. The gas and condensate production shall be identified by individual API number, and
13 recorded and reported on the "Supplementary Attachment to Form PR".

14 (8) If the field is designated as absolute open flow (AOF) pursuant to §3.31(i) of this title
15 and that designation is removed, the Commission shall assign a single gas allowable to each record well
16 classified as a gas well. The assigned allowable may be produced from any one, all, or a combination of
17 the horizontal drainholes that constitute the stacked lateral well.

18 (9) An operator shall file Form W-3A, Notice of Intention to Plug and Abandon, and
19 Form W-3, Well Plugging Report, for each horizontal drainhole within the stacked lateral well as
20 required by §3.14 of this title (relating to Plugging).

21 (10) In order to maintain a single operator of record for a stacked lateral well, a
22 certificate of compliance changing the designation of an operator for a horizontal drainhole in a stacked
23 lateral well pursuant to §3.58 of this title (relating to Certificate of Compliance and Transportation
24 Authority; Operator Reports) may only be approved if certificates of compliance designating the same
25 operator have been filed for all horizontal drainholes within the stacked lateral well.

26 (11) An operator may remove a horizontal drainhole from a designated stacked lateral

1 well by filing an amended drilling permit application and a completion report. If the horizontal drainhole
2 being removed is the record well for the stacked lateral and there are still multiple horizontal drainholes
3 remaining within the designated stacked lateral well, then the operator shall designate a new record well
4 for the stacked lateral well prior to removing the existing record well from the designated stacked lateral
5 well.

6 (g) [(f)] Drilling applications and required reports.

7 (1) Application. Any intent to develop a new or existing well with horizontal drainholes
8 must be indicated on the application to drill. An application for a permit to drill a horizontal drainhole
9 shall include the fees required by [~~Statewide Rule 78;~~] §3.78 of this title (relating to Fees and Financial
10 Security Requirements), and shall be certified by a person acquainted with the facts, stating that all
11 information in the application is true and complete to the best of that person's knowledge. If the
12 penetration point on the proposed horizontal drainhole is located on an offsite tract, the following
13 conditions shall be met prior to submission of the application to drill:

14 (A) The applicant shall give written notice by certified mail, return receipt
15 requested, to all mineral owners of any offsite tracts through which the proposed wellbore path traverses
16 from the point of penetration. The notice shall identify the proposed well, include a plat clearly depicting
17 the projected path of the entire wellbore, and allow the party notified not less than 21 days to object to
18 the proposed offsite tract penetration. Notice of offsite tract penetration is not required if:

19 (i) written waivers of objection are received by the applicant from all
20 mineral owners of any offsite tracts and the waivers are attached to the drilling permit application; or

21 (ii) the applicant is the only mineral owner of any offsite tracts.

22 (B) For purposes of this subsection, the mineral owners of any offsite tracts
23 through which the proposed wellbore path traverses from the point of penetration include:

24 (i) the designated operator;

25 (ii) all lessees of record for any offsite tracts which have no designated
26 operator; and

1 the proposed path, penetration points, and terminus locations of all drainholes;]

2 [(iii) two perpendicular lines from the nearest point on the lease line,
3 pooled unit line, or any unleased interest in a tract of the pooled unit, depicting the distance(s) to:]

4 [(F) the penetration point(s); and]

5 [(H) the terminus location(s);]

6 [(iv) perpendicular lines providing the distance in feet from the two
7 nearest non-parallel survey lines to the terminus location(s);]

8 [(v) a line providing the distance in feet from the closest point along the
9 horizontal course(s) of the drainhole(s) to the nearest point on the lease line, pooled unit line, or unitized
10 tract line. If there is an unleased interest in a tract of the pooled unit that is nearer than the pooled unit
11 line, the nearest point on that unleased tract boundary shall be used; and]

12 [(vi) lines from the nearest oil, gas, or oil and gas well, applied for,
13 permitted or completed in the same lease or pooled unit and in the same field and reservoir depicting the
14 distance to:]

15 [(F) the penetration point(s);]

16 [(H) the closest point along the horizontal course(s) of the
17 drainhole(s); and]

18 [(HH) the terminus location(s).]

19 (B) An amended drilling permit application and plat shall be filed after
20 completion of the horizontal drainhole well if the Commission [~~commission~~] determines that the
21 drainhole as drilled is not reasonable with respect to the drainhole represented on the plat filed with the
22 drilling permit application. A horizontal drainhole, as drilled, shall be considered reasonable with respect
23 to the drainhole represented on the plat filed with the drilling permit application if the take points on the
24 as-drilled plat comply with subsection (b)(4) and (5) of this section and with any applicable lease line
25 spacing rules.

26 (3) Directional survey. A directional survey from the surface to the farthest point drilled

1 on the horizontal drainhole shall be required for all horizontal drainholes. The directional survey and
2 accompanying reports shall be conducted and filed in accordance with [~~Statewide Rules 11 and 12;~~
3 §3.11 and §3.12 of this title (relating to Inclination and Directional Surveys Required, and Directional
4 Survey Company Report, respectively). No allowable shall be assigned to any horizontal drainhole well
5 until an acceptable [~~a~~] directional survey and survey plat has been filed with [~~and accepted by~~] the
6 Commission [~~commission~~].

7 (4) Proration unit plat. The required proration unit plat must depict the lease, pooled unit,
8 or unitized tract, showing the acreage assigned to the proration unit for the horizontal drainhole well, the
9 acreage assigned to the proration units for all wells on the lease, pooled unit, or unitized tract, and the
10 path, penetration point, take points, and terminus of all drainholes. No allowable shall be assigned to any
11 horizontal drainhole well until an acceptable [~~the~~] proration unit plat has been filed with [~~and accepted~~
12 ~~by~~] the Commission [~~commission~~]. Proration unit plats are not required for wells in a designated UFT
13 field. However, an operator of a well in a designated UFT field may file a proration unit plat along with
14 Form P-16. Designated UFT fields have no maximum diagonal limit.

15 (5) As-drilled plat. An as-drilled plat is required for each horizontal drainhole well. The
16 as-drilled plat for each horizontal drainhole well shall show the surface location, actual wellbore path,
17 penetration point, terminus, and first and last take points of the horizontal drainhole. If the drilling permit
18 for the horizontal drainhole well is approved with one or more NPZs, the as-drilled plat shall show the
19 nearest take point on either side of each NPZ.

20 (6) Plat requirements. All plats required by this section shall be prepared using blue or
21 black ink and shall include a certification by a professional land surveyor registered in accordance with
22 Texas Occupations Code, Chapter 1071, relating to Land Surveyors, or by a registered professional
23 engineer registered in accordance with Texas Occupations Code, Chapter 1001, relating to Professional
24 Engineers.

25 (h) [~~(g)~~] Exceptions and procedure for obtaining exceptions.

26 (1) The Commission [~~commission~~] may grant exceptions to this section in order to

1 prevent waste, prevent confiscation, or to protect correlative rights.

2 (2) If a permit to drill a horizontal drainhole requires an exception to this section, the
3 notice and opportunity for hearing procedures for obtaining exceptions to the density provisions
4 prescribed in [~~Statewide Rule 38;~~] §3.38 of this title [~~(relating to Well Densities);~~] shall be followed as
5 set forth in [~~Statewide Rule 38(h);~~] §3.38(h) of this title [~~(relating to Well Densities)~~].

6 (3) For notice purposes, the Commission [~~commission~~] presumes that for each adjacent
7 tract and each tract nearer to any point along the proposed or existing horizontal drainhole than the
8 prescribed minimum lease-line spacing distance, affected persons include:

9 (A) the designated operator;

10 (B) all lessees of record for tracts that have no designated operator; and

11 (C) all owners of record of unleased mineral interests.

12 (i) UFT field designation criteria, application and approval procedures.

13 (1) Criteria for UFT field designation.

14 (A) Administrative UFT field designation. To be designated administratively as
15 a UFT field, a field shall have the following characteristics:

16 (i) the *in situ* permeability of at least one distinct producible interval
17 within the field is 0.1 millidarcies or less prior to hydraulic fracture treatment, as determined by core data
18 or other supporting data and analysis; and

19 (ii) as to producing wells for which the Commission issued the initial
20 drilling permit on or after February 1, 2012, that have been completed in the field, either:

21 (I) there are at least five such wells of which at least 65% were
22 drilled horizontally and completed using hydraulic fracture treatment; or

23 (II) there are at least twenty-five such wells drilled horizontally
24 and completed using hydraulic fracture treatment.

25 (B) Alternative UFT field designation obtained through evidentiary hearing. If
26 an applicant demonstrates in a hearing that reservoir characteristics exist other than the characteristics

1 specified in subparagraph (A) of this paragraph such that horizontal drilling and hydraulic fracture
2 treatment must be used in order to recover the resources from all or a part of the field and that UFT field
3 designation will promote orderly development of the field, the hearings examiner may recommend to the
4 Commission that the field be designated as a UFT field.

5 (2) Procedures for UFT field designation.

6 (A) Commission motion to designate a UFT field. The Commission may on its
7 own motion propose that a field be designated as a UFT field upon written notice of the motion to all
8 operators in the field.

9 (i) If no written objection is filed within 21 days after the date the notice
10 is issued, Commission staff may present a recommendation to the Commission regarding designation of
11 the field as a UFT field.

12 (ii) If the Commission receives a timely filed written objection, the
13 Commission shall notify the operators in the field that an objection was received and allow any operator
14 in the field 21 days to request a hearing. Pursuant to paragraph (1)(B) of this subsection, the operator
15 requesting the hearing shall bear the burden of proof at the hearing. If no request to set the matter for
16 hearing is received from an operator in the field, the Commission may either dismiss the matter or set the
17 matter for hearing on its own motion. If the matter is set for hearing on the Commission's motion, the
18 proponents of UFT field designation shall bear the burden of proof.

19 (B) Operator application for UFT designation.

20 (i) An operator may propose that a field be designated as a UFT field by
21 submitting an application to the Commission that includes an affirmative statement that the field qualifies
22 for designation as a UFT field and providing core data or other supporting data and analysis in support of
23 that affirmative statement.

24 (ii) If, on review of the completed application, Commission staff
25 determines that the field meets the criteria in paragraph (1)(A) of this subsection, Commission staff shall
26 notify all operators in the field that a UFT field designation order may be presented to the Commission

1 for approval not less than 21 days after the date the notice is issued unless the Commission receives a
2 written objection. If the applicant provides written waivers of objection from all operators in the field,
3 then notice to the operators in the field shall not be required.

4 (iii) If the Commission receives a timely filed written objection to the
5 notice of the proposal to designate the field as a UFT field, or if Commission staff determines that the
6 field does not qualify for designation as a UFT field, then the applicant for UFT field designation may
7 request that the application be set for hearing.

8 (iv) If the applicant requests a hearing, the Commission shall send a
9 notice of hearing to all operators in the field proposed for designation as a UFT field at least 15 days in
10 advance of the hearing.

11 (v) Following a hearing on the request, the hearings examiner may
12 present a recommendation to the Commission regarding the request to designate the field as a UFT field.

13 (j) Effect of special field rules for UFT fields.

14 (1) Special field rules for a UFT field shall prevail over all conflicting provisions of this
15 chapter.

16 (2) The Commission may on its own motion or on the motion of an operator in a field
17 call a hearing to review the current special field rules applicable in a field that is designated or proposed
18 to be designated as a UFT field and request amendment or rescission of any portion of the current field
19 rules, in conjunction with such designation, so that the field is regulated with the appropriate
20 combination of special field rules and the rules in this chapter to effectively and efficiently protect
21 correlative rights and/or prevent waste.

22 (3) The following provisions shall apply with respect to specific amendments to the
23 special field rules for a UFT field.

24 (A) A special field rule amendment hearing is not required for the following
25 amendments:

26 (i) reduction of the standard and/or optional density to one-half of the

1 existing standard and/or optional density;

2 (ii) deletion of the between-well spacing rule; or

3 (iii) replacement of the allowable provided by special field rules with the
4 allowable provided by §3.31 of this title, §3.45 of this title (relating to Oil Allowables), and subsection
5 (d)(4) and (5) of this section.

6 (B) To request one or more of the amendments listed in subparagraph (A) of this
7 paragraph, the operator shall submit to the Commission a request for amendment and engineering and/or
8 geological data to support the requested amendments. For each exhibit submitted, the operator shall
9 include a written explanation showing that the requested amendment will result in the protection of
10 correlative rights and/or the prevention of waste.

11 (C) Upon receipt of a request for amendment, the Commission shall provide
12 notice of the request to all operators in the field. If no written objection is filed within 21 days after the
13 date the notice is issued, Commission staff may present a recommendation to the Commission regarding
14 the requested amendment. If the Commission receives a timely filed written objection, the applicant may
15 request a hearing to establish through the submission of competent evidence that the requested
16 amendment is necessary for continued development of a designated UFT field, and will result in the
17 protection of correlative rights and/or prevention of waste.

18 (k) Exceptions to §3.38 for a well in a UFT field. To request an exception to §3.38 of this title
19 for a well in a UFT field:

20 (1) The operator shall submit to the Commission a written request for an exception to
21 §3.38 of this title. The operator shall clearly state on the drilling permit application whether the density
22 exception is sought under this subsection or through the provisions of §3.38 of this title.

23 (2) The Commission shall send written notice of the request for an exception to §3.38 of
24 this title filed under this subsection to any designated operators, lessees of record for tracts that have no
25 designated operator, and all owners of unleased mineral interests:

26 (A) within 600 feet from the location of a vertical well completed within the

1 UFT field; or

2 (B) within 600 feet from any take point on a horizontal well within the UFT field
3 correlative interval.

4 (3) Persons who have received notice pursuant to paragraph (2) of this subsection shall
5 have 21 days from the date of issuance of the notice to file a written objection with the Commission.

6 (4) If no timely filed written objection is received by the Commission, the applicant
7 provides written waivers from all persons entitled to notice under paragraph (2) of this subsection, or
8 there are no persons entitled to notice, then the application may be approved administratively without the
9 requirement of filing supporting data.

10 (5) If a timely filed written objection is received by the Commission, the applicant may
11 request a hearing, at which the applicant shall show that the proposed exception to §3.38 of this title is
12 necessary to effectively drain an area of the UFT field that will not be effectively drained by existing
13 wells or to prevent waste or confiscation. Notice of a hearing for a protested exception application under
14 §3.38 of this title for a well in a UFT field will be provided to those persons entitled to notice of such an
15 application as specified in paragraph (2) of this subsection.

16 (6) Permits granted pursuant to paragraphs (1) - (5) of this subsection shall be issued as
17 exceptions to §3.38 of this title.

18 (7) Nothing in this subsection prevents an operator from electing to apply for and obtain
19 a density exception under the provisions of §3.38 of this title rather than the provisions of paragraphs (1)
20 - (6) of this subsection.

21 (l) Tubing requirements for completions in UFT fields. An operator of a flowing oil well in a
22 UFT field may obtain a six-month exception to the requirement in §3.13(b)(4)(A) of this title (relating to
23 Casing, Cementing, Drilling, Well Control, and Completion Requirements) that flowing oil wells shall be
24 produced through tubing. The exception may be granted administratively. A revised completion report
25 shall be filed once the oil well has been equipped with the required tubing string to reflect the actual
26 completion configuration.

1 (1) For good cause shown, including a showing that the well is flowing at a pressure in
2 excess of 300 psig surface wellhead flowing pressure, an operator may obtain from the District Director
3 one or more extensions to the six month exception. Each extension shall be no more than six months in
4 duration. If the request for an extension is denied, the operator may request a hearing. If a hearing is
5 requested, the exception shall remain in effect pending final Commission action on the request for an
6 extension.

7 (2) This subsection applies to new drills, reworks, recompletions, or new fracture
8 stimulation treatments for any flowing oil well in the field.

9 This agency hereby certifies that the rules as adopted have been reviewed by legal counsel and
10 found to be a valid exercise of the agency's legal authority.

11 Issued in Austin, Texas, on January 12, 2016.

12 Filed with the Office of the Secretary of State on January 12, 2016.

David Porter
David Porter, Chairman

Christi Craddick
Christi Craddick, Commissioner

Ryan Sutton
Ryan Sutton, Commissioner


ATTEST:
Kathy Way
Secretary of the Commission

Haley Cochran
Haley Cochran
Rules Attorney
Office of General Counsel
Railroad Commission of Texas

ATTACHMENT K



RAILROAD COMMISSION OF TEXAS

1701 N. Congress
 P.O. Box 12967
 Austin, Texas 78701-2967

Form P-16

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Acreage Designation

Filer is the owner or lessee of all or an undivided portion of the minerals under each tract listed below and has the legal right to drill on each tract traversed by the well that will have perforations or other take points open in the interval of the applied-for field(s). All tracts listed will actually be traversed by the wellbore or the filer has pooling authority or other contractual authority, such as a production sharing agreement, authorizing inclusion of the non-drillsite tract in the acreage assigned to the well.

SECTION V. LISTING OF ALL TRACTS CONTRIBUTING ACREAGE TO AN RRC DESIGNATED DRILLSITE DEVELOPMENTAL UNIT THAT IS NOT A SINGLE LEASE, POOLED UNIT, OR GROUP OF TRACTS UNITIZED BY CONTRACT FOR PURPOSES OF SECONDARY RECOVERY					
RRC ID No. or Lease No.	Lease Name	Beginning Lease Acreage	Allocated Lease Acreage	Ending Lease Acreage	Operator Name and Operator No. (if different from filing operator)
Total Allocated Acreage >					< Total Lease Acreage

Filer is the owner or lessee, or has been authorized by the owner or lessee, of all or an undivided portion of the mineral estate under each tract for which filer is listed as operator below. For all leases operated by other entities, the number of assigned acres shown are reflected on current Commission records or the filer has been authorized by the current operator to change the assigned acreage of that operator as shown below.

SECTION VI. LISTING OF ALL WELLS IN THE APPLIED FOR FIELD ON THE SAME ACREAGE AS THE LEASE OR POOLED UNIT DESIGNATED FOR THE TRACTS LISTED IN SECTION V BY FILER									
RRC ID No. or Lease No.	Well No.	Acres Assigned	SWR 38 Except. (Y/N)	H-Horizontal D-Directional V-Vertical	RRC ID No. or Lease No.	Well No.	Acres Assigned	SWR 38 Except. (Y/N)	H-Horizontal D-Directional V-Vertical
A. Total Wells & Acreage >					A. Total Wells & Acreage >				
B. Total Assigned Horiz. Acreage >					B. Total Assigned Horiz. Acreage >				
C. Total Assigned Vert./Dir. Acreage >					C. Total Assigned Vert./Dir. Acreage >				

SECTION VII. REMARKS

REVIEW AND BECOME FAMILIAR WITH SWR 37, 38, 40 AND FIELD RULES BEFORE FILING FORM P-16.**GENERAL**

PURPOSE OF FILING: Form P-16, *Acreage Determination*, is to be filed for the determination of acreage credit in connection with the filing of a Form W-1, *Application for Permit to Drill, Recomplete, or Re-Enter*, or a Completion Report (Form W-2, *Oil Well Potential Test, Completion or Recompletion Report, and Log*, or Form G-1, *Gas Well Back Pressure Test, Completion or Recompletion Report, and Log*). Operators shall file for each oil or gas well in this lease and field, and shall list the number of acres that are being assigned to each well on the lease or unit.

WHO FILES: Form P-16 shall be filed by an applicant filing for a Form W-1. The form shall also be filed in connection with a Form W-2/Form G-1 or independently to adjust acreage designation for existing leases/wells, by the operator of subject lease as listed on the most current Form P-4, *Producer's Transportation Authority and Certificate of Compliance*, who assumes responsibility for the physical operation, control, and proper plugging of the well listed in Section II of Form P-16 being filed.

WHEN TO FILE: Form P-16 shall be filed in conjunction with each Form W-1 and each Form W-2/Form G-1 for all horizontal wells, and for all wells in designated UFT Fields. Form P-16 may also be filed with each Form W-1 and Form W-2/Form G-1 for any other wells. In addition, Form P-16 may be filed independently when acreage designation updates are necessary to an existing lease.

SECTION I. OPERATOR INFORMATION (REQUIRED)

Operator P-5 No. and Operator Address shall be completed with the filer's information.

SECTION II. WELL INFORMATION (REQUIRED)

When filing Form P-16 in addition to the Form W-1 application or Form(s) W-2/G-1 report, the well information section should be completed with the data that pertains to the specific well for which the permit application or completion report is being filed.

When filing Form P-16 independently to update acreage designation to an existing lease, the well information section can be completed with the data that pertains to any well on subject lease as selected by filer.

If lease acres are being adjusted on a pooled unit, a new Form P-12 and an original certified plat delineating the pooled unit shall be required. Each tract in the certified plat shall be identified with an outline and a tract identifier that corresponds to the tract identifier listed on the Form P-12 as provided for in §3.40(a) & §3.40(a)(1)

SECTION III. LISTING OF ALL WELLS IN THE APPLIED FOR FIELD ON THE SAME ACREAGE AS THE LEASE, POOLED UNIT, OR UNITIZED TRACT DESIGNATED BY FILER

This section should be utilized for wells on a single lease, pooled unit, or unitized tract designated by the RRC or where multiple operators have an agreement to share lease acreage.

Item A and B is required only if field rules have an exception to SWR 40. Item C is required for all other filings. (Submit either A & B, or C.)

- A) Designate total acreage assigned to horizontal wells and total remaining acreage (**SWR 40 exception**)
- B) Designate total acreage assigned to vertical/directional wells and total remaining acreage (**SWR 40 exception**)
- C) Total assigned acreage and total remaining acreage

When being filed in conjunction with the **Form W-1**, list all completed and permitted wells. Completed wells should reflect the current assigned proration acreage as reflected on RRC schedule.

When being filed in conjunction with the **Form G-1/W-2** list all completed wells reflecting proposed assigned proration acreage.

SECTION IV. REMARKS/ PURPOSE OF FILING (REQUIRED)

When submitting with Form W-1 application or Form(s) W-2/G-1 report or if submitting Form P-16 independently, indicate any information pertaining to the purpose of filing and/or any detailed information to aid in the processing of this form. If Multiple Operators are listed in Section III due to the method of development, please explain the method of development. §3.40(d)

SECTION V. LISTING OF ALL TRACTS CONTRIBUTING ACREAGE TO AN RRC DESIGNATED DRILLSITE DEVELOPMENTAL UNIT THAT IS NOT A SINGLE LEASE, POOLED UNIT, OR GROUP OF TRACTS UNITIZED BY CONTRACT FOR THE PURPOSE OF SECONDARY RECOVERY (IF NOT APPLICABLE SECTION V IS NOT REQUIRED)

Complete this section when total lease acreage is being adjusted from 2 or more tracts in order to create a new RRC Oil lease number or Gas ID number. For Gas leases, use only the most current Gas ID number (a listing of all gas wells within the same lease is not required). List all affected leases, lease names, and beginning acreage as indicated on most recent Form W-1 application or Form(s) W-2/G-1 report. Acreage being removed from existing leases should be listed in Allocated Lease Acreage. The Beginning Lease Acreage minus the Allocated Lease Acreage should equal the Ending Lease Acreage for each affected lease. In addition, a plat of the lease, unit or property; containing at minimum a new lease outline and lease acres label shall be required.

SECTION VI. LISTING OF ALL WELLS IN THE APPLIED FOR FIELD ON THE SAME ACREAGE AS THE LEASE OR POOLED UNIT DESIGNATED BY FILER

List all wells and assigned proration acreage. This list should include all wells associated with leases in Section V and wells that traverse these tracts. RRC issued Gas ID numbers and Oil lease numbers, well numbers, acreage assignment with a total well count and a total acreage count. Should an RRC ID/Lease number not have been assigned, use the Drilling Permit number associated with the wellbore.

Item A is required data for filings. Item B and C is required only if field rules have an exception to SWR 40. (Submit either A, or B & C.)

- A) Total well count and total assigned acreage
- B) Designate total acreage assigned to horizontal wells (**SWR 40 exception**)
- C) Designate total acreage assigned to vertical/directional wells (**SWR 40 exception**)

When being filed in conjunction with the **Form W-1**, list all completed and permitted wells. Completed wells should reflect the current assigned proration acreage as reflected on RRC schedule.

When being filed in conjunction with the **Form G-1/W-2** list all completed wells reflecting proposed assigned proration acreage.

IMPORTANT TERMS

DISTRICT: Indicate the Commission district associated with the RRC identifier listed in Section II.

RRC ID NO OR. LEASE NO.: Indicate the Commission lease or well ID numbers associated with this filing. If no ID has been assigned, provide a drilling permit number.

WELL NO.: Indicate the well number as listed on the Commission proration schedule or drilling permit.

ACRES ASSIGNED: Indicate the number of acres being assigned to a well for acreage designation purposes.

TRACT: Lease, pooled unit, unitized unit, or undeveloped acreage being assigned for production.

What You Need to Know About The Railroad Commission of Texas

Tim George

2016 Fundamentals of Oil, Gas and Mineral Law

UT Law CLE
Houston, Texas

April 14, 2016

The Railroad Commission of Texas

- Basic Info for Oil and Gas Lawyers
 - Components of RRC Regulation
 - Operators
 - Fields
 - Leases
 - Wells

RRC Jurisdiction Includes:

- Oil and Gas Operators
- In-the-Field Activities
- Upstream and Midstream



3

RRC Jurisdiction Includes:

- Oil and Gas Wells
 - Drilling, Completion, Production, and Abandonment
- Protection of Water Resources from Oil and Gas Operations
- Oil and Gas Waste Disposal and Clean Up



4

RRC Jurisdiction Includes:

- Disposal Injection of Salt Water and Oil and Gas Waste,
- Injection for Secondary or Enhanced Recovery
- Injection for Storage of Gas or Liquid Hydrocarbons



5

RRC Jurisdiction Includes:

- Gathering Line and Pipeline Design, Installation, Maintenance, and Operation
- Transportation and Takes by Texas Gas Utilities, Common Carriers, and Common Purchasers.



6

Sources for RRC Jurisdiction

- Texas Natural Resources Code
 - Prevent Waste and Protect Correlative Rights
 - Prevent Pollution of Surface Water and Groundwater



Sources for RRC Jurisdiction

- Texas Water Code
 - Prevent Pollution of Water Resources
 - Surface Water
 - Groundwater



Sources for RRC Jurisdiction

- Texas Natural Resources Code
 - Common Carriers and Common Purchasers
- Texas Utility Code
 - Gas Utility Transportation
- Delegation from DOT - Code of Federal Regulations
 - Pipeline Safety



9

Sources for RRC Jurisdiction

- Mineral Property Development
 - Force Pooling - Mineral Interest Pooling Act
 - Approval of Unitization Agreements - Secondary and Enhanced Recovery
 - Approval of Operation Sites for Qualified Subdivisions



10

Sources for RRC Jurisdiction

- Texas Administrative Procedures and Texas Register Act
 - Rulemaking Authority
 - Statewide Rules



11

Sources for RRC Jurisdiction

- Texas Administrative Procedures and Texas Register Act
 - Contested Case Authority
 - Evidentiary Hearings
 - Resolve Disputes Between Interested Parties
 - Special field rules
 - Permit disputes
 - Enforcement



12

Limitations to RRC Jurisdiction

- Cannot Determine Property Rights or Contract Rights
- Cannot Set Price
- No Railroads



13

Operators

- Form P-5 Organization Report
 - Discloses Officers, Registered Agent, Officers
- Financial Assurance Deposit
- Annual Renewal
- Oil and Gas Directory



14

Fields

- Geologic Correlative Depth Interval in a Geographic Area
- RRC Regulates as a Single Oil or Gas Resource



15

Fields

- Typical Components of a Field Name
 - Geographic Area - Briscoe Ranch
 - Geologic Interval - (Eagleford)
- Field Name: Briscoe Ranch (Eagleford)



16

Fields

- **Geographic Area**
 - Nearby City or Town
 - Ranch or Landowner
 - Other Local Features
 - RRC District



17

Fields

- **Geologic Interval**
 - Form P-7 New Field Application
 - Designated Correlative Interval in Special Field Rules
- **Stacked Pays**
 - Each Source of Supply a Separate Field



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Fields

RULE 1:

The entire correlative interval from 7,160 feet to 7,535 feet as shown on the log of the TXCO Resources Inc. – Briscoe Catarina West Lease, Well No. 1 (API No. 42 127 33421), Section 93, Block 8, I&GN RR Co. Survey, A874, Dimmit County, Texas, shall be designated as a single reservoir for proration purposes and be designated as the Briscoe Ranch (Eagleford) Field.



19

Fields

- Operator Chooses the Field
- Complaint-Based Enforcement of Field Choice
- Field Consolidation



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Leases

- Acreage Designated by the Operator for a Well Permit
- Size & Shape is Operator's Choice
 - Most often Matches Leasehold
 - But Not Always
 - Can Sometimes Be Amended



21

Leases

- Pooled Units
 - Combines Multiple Tracts to Permit a Well
 - Certificate of Pooling Authority - Form P-12
 - Requires Authority to Pool, but Not Actual Pooling



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Leases

RAILROAD COMMISSION OF TEXAS Oil and Gas Division PO Box 12967 Austin, Texas 78711-2967 www.rrc.state.tx.us		CERTIFICATE OF POOLING AUTHORITY <i>Revised 05/2001</i>		P-12
1. Field Name(s)	2. Lease/ID Number (if assigned)	3. RRC District Number		
4. Operator Name	5. Operator P-5 Number	6. Well Number		
7. Pooled Unit Name	8. API Number	9. Purpose of Filing		
10. County	11. Total acres in pooled unit	<input type="checkbox"/> Drilling Permit (W-1) <input type="checkbox"/> Completion Report		
DESCRIPTION OF INDIVIDUAL TRACTS CONTAINED WITHIN THE POOLED UNIT				
TRACT/PLAT IDENTIFIER	TRACT NAME	ACRES IN TRACT (See inst. #7 below)	INDICATE UNDIVIDED INTERESTS UNLEASED NON-POOLED	
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

23

Horizontal Wells Crossing Multiple Leases Without Pooling

- PSA Wells
- Allocation Wells



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Wells

- Spacing Rules
- Leaseline Spacing
 - Minimum Distance from Nearest Boundary Line
 - Perimeter Boundary
 - Internal Boundary



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Wells

- Spacing Rules
- Between Well Spacing
 - Minimum Distance Between Wells
 - On Same Lease or Pooled Unit
 - In Same Field
- Statewide Rule: 467'/1200'
- Special Rules Match Spacing to Unit Size



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Wells

- **Unit Rule**

- Minimum Acreage Per Well
- Statewide Rule: 40 Acres
 - same for oil wells and for gas wells
- Special Field Rules Match Unit Size to Drainage Area



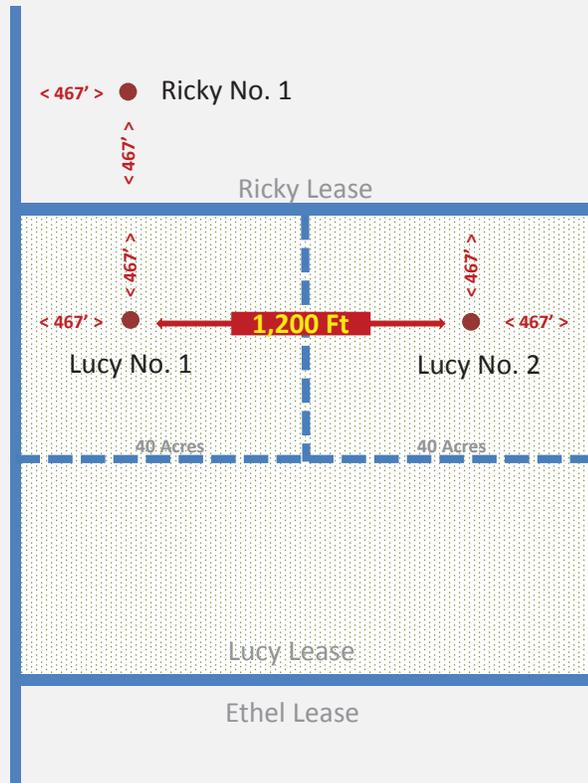
Special Field Rules

- “Standard” Spacing, Unit, and Diagonal Rules:

Density	Well Spacing	Diagonal Limit
640 acres	1867' – 3735'	8500'
320 acres	1320' – 2640'	6500'
160 acres	933' – 1867'	4500'
80 acres	660' – 1320'	3250'
40 acres	457' – 933'	2100'
20 acres	330' – 660'	1500'
10 acres	233' – 467'	1100'
5 acres	165' – 330'	1000'
2 acres	150' – 300'	500'

Statewide Spacing & Unit Rules

Vertical Wells



Horizontal Wells

- Statewide Spacing & Unit Rules
 - Take Point Rules
 - 467'/1200'
 - NPZ - No Perforation Zone
 - Box Rule
 - 40 Acres & added acreage for lateral length
 - Stacked Laterals

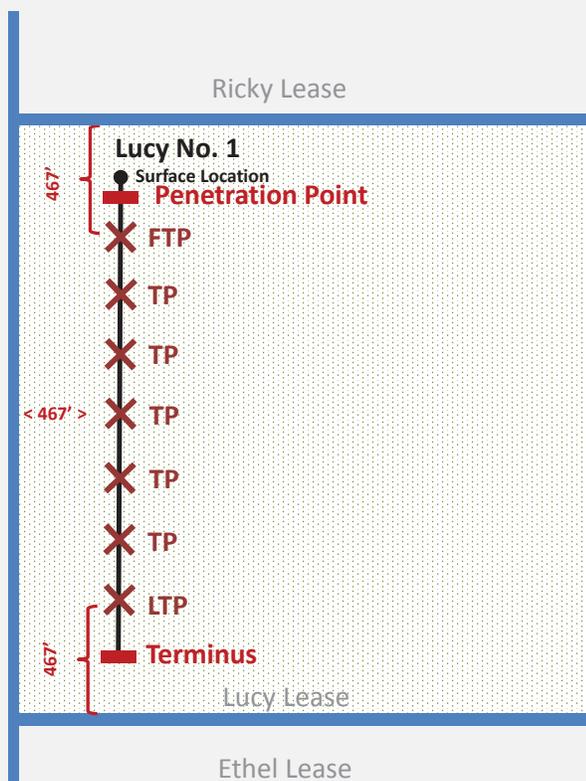


Horizontal Wells

- UFT Fields: Unconventional Fracture Treated Fields
- Non-UFT Field: vertical and horizontal wells are together
- UFT Field: vertical and horizontal wells are separate
 - Spacing & Unit Rules apply separately to vertical wells and to horizontal wells
 - UFT Fields: Vertical and horizontal wells do not see each other

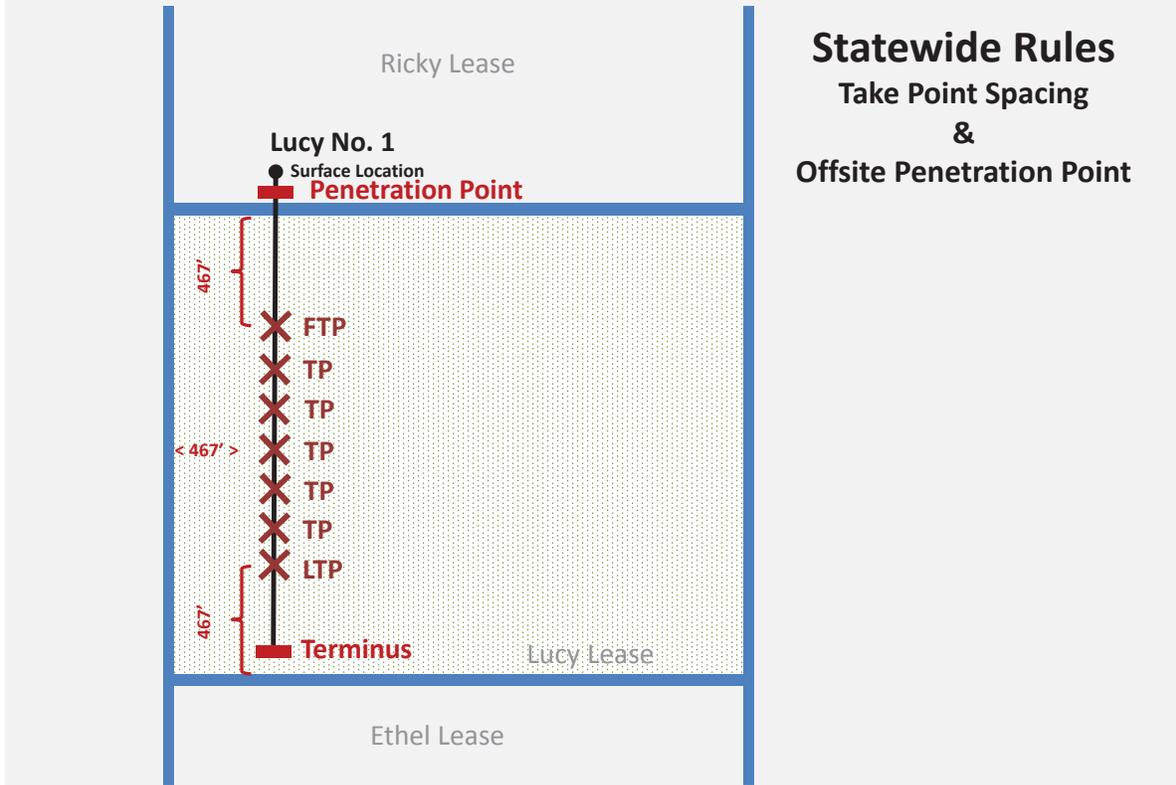


Horizontal Wells

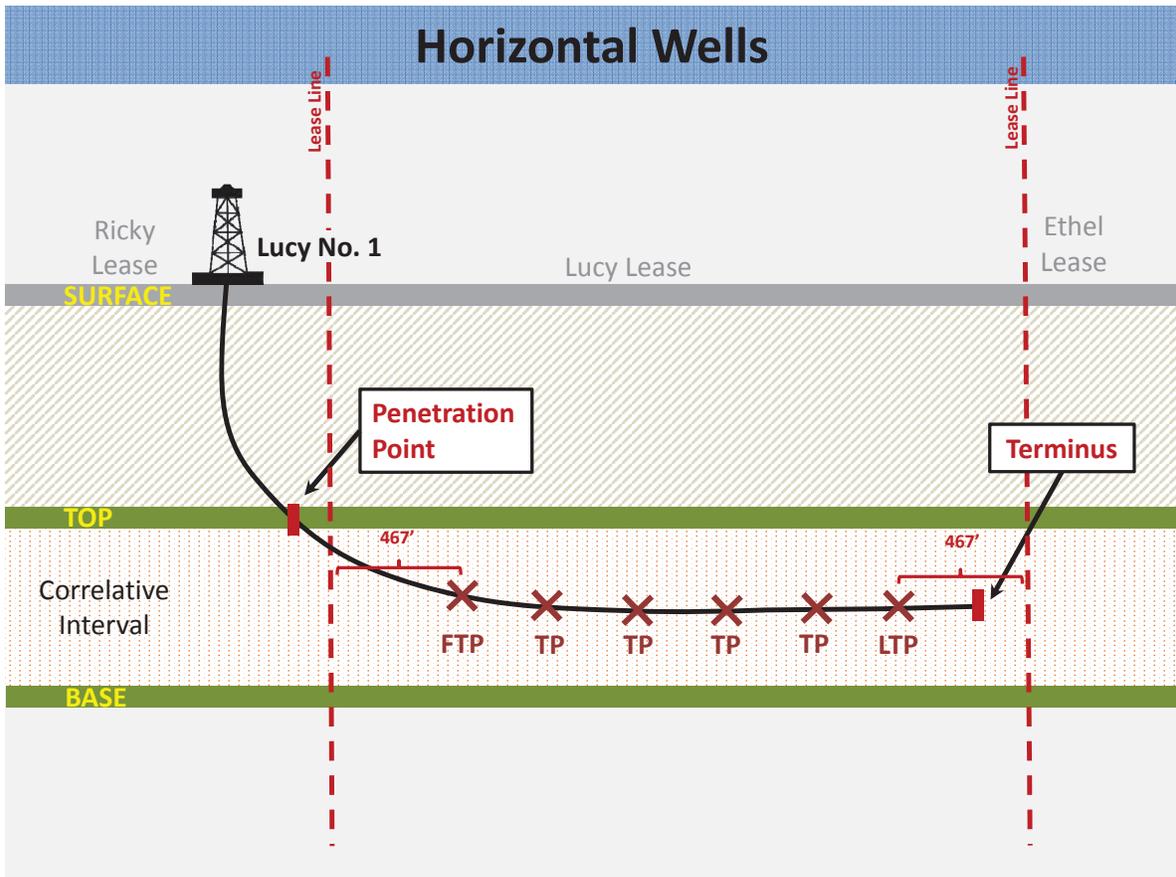


Statewide Rules Take Point Spacing

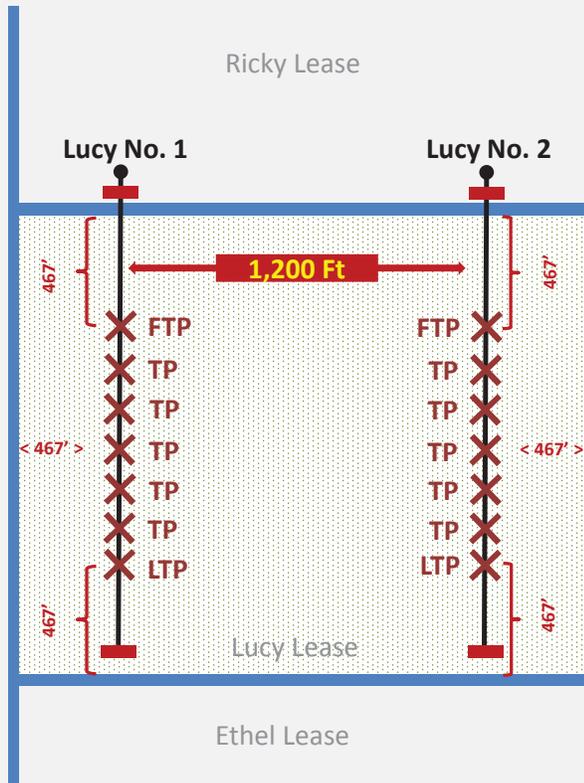
Horizontal Wells



Horizontal Wells



Horizontal Wells



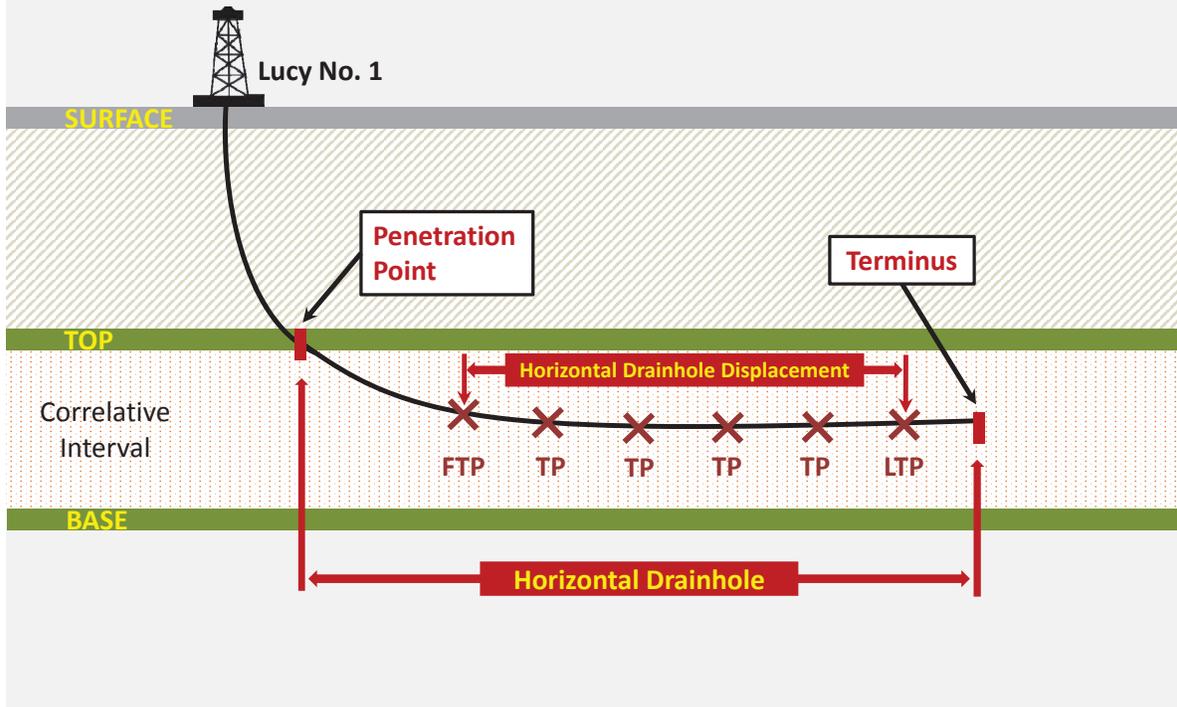
Statewide Spacing Between-Wells

Horizontal Wells

- Assignment of Added Acreage For Lateral
 - “Horizontal Drainhole Displacement”
 - Distance from First Take Point to Last Take Point



Horizontal Wells



Horizontal Wells

Rule 86 Table

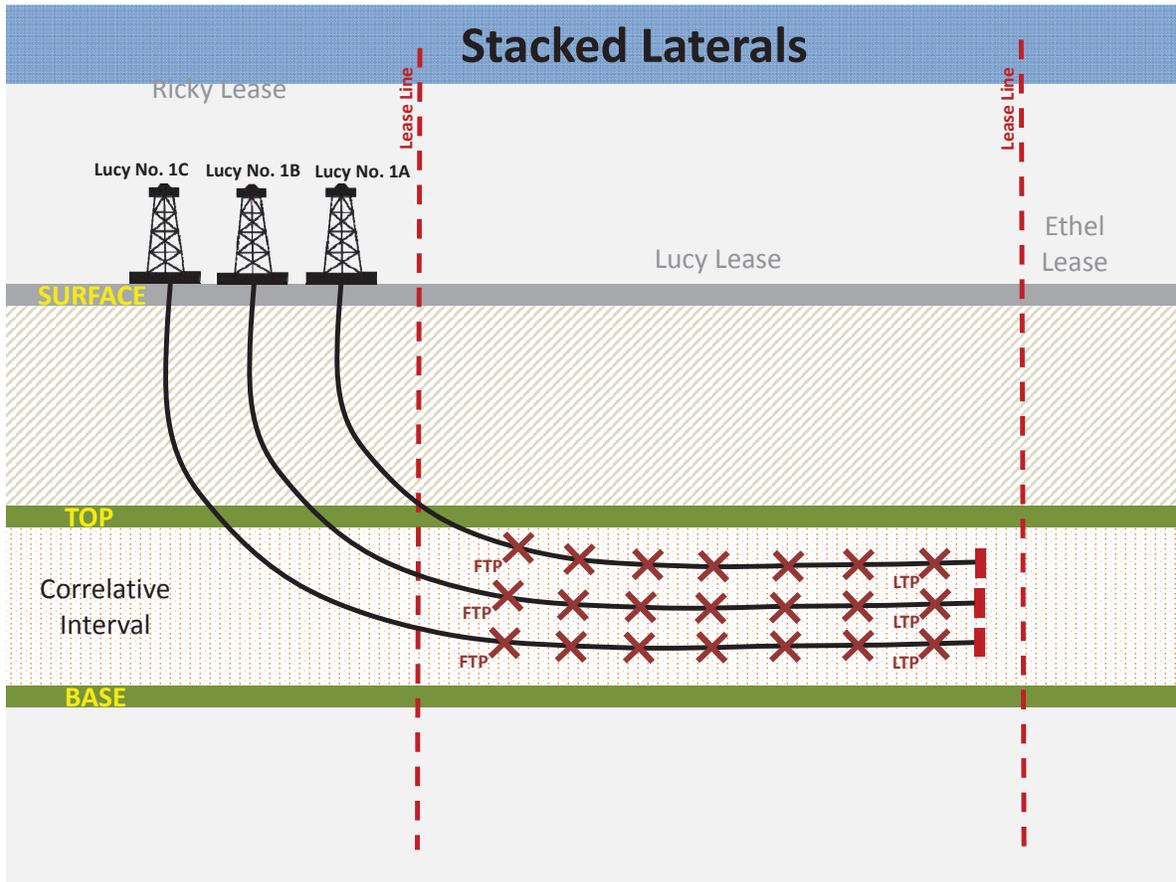
Additional Acreage Assignment
For Fields with a Density Rule of 40 Acres or Less

Horizontal Drainhole Displacement, ft	Additional Acreage Allowed, acres
100 to 585	20
586 to 1,170	40
1,171 to 1,755	60
1,756 to 2,340	80
2,341 to 2,925	100
2,926 to 3,510	120
etc. - 585 ft increments	etc. - 20 acre increments

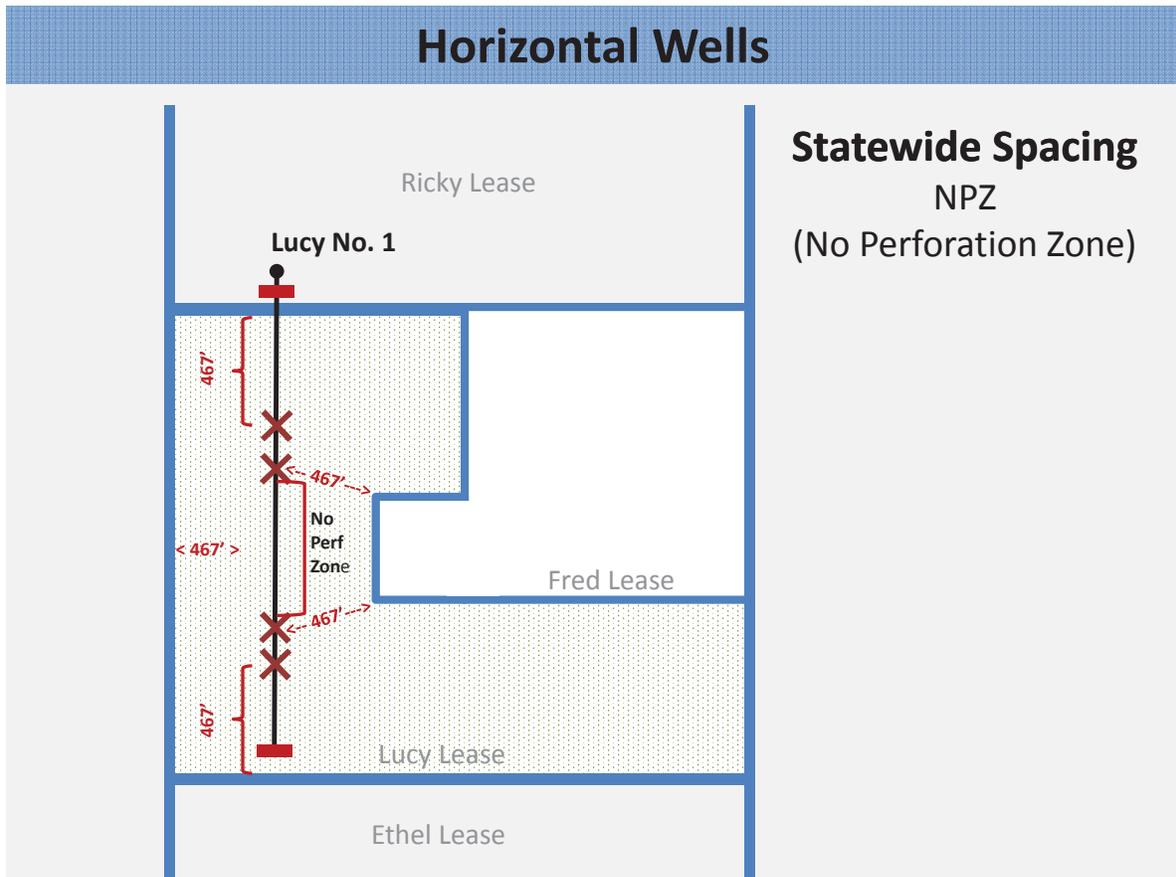
Additional Acreage Assignment
For Fields with a Density Rule Greater Than 40 Acres

Horizontal Drainhole Displacement, ft	Additional Acreage Allowed, acres
150 to 827	40
828 to 1,654	80
1,655 to 2,481	120
2,482 to 3,308	160
3,309 to 4,135	200
4,136 to 4,962	240
etc. - 827 ft increments	etc. - 40 acre increments

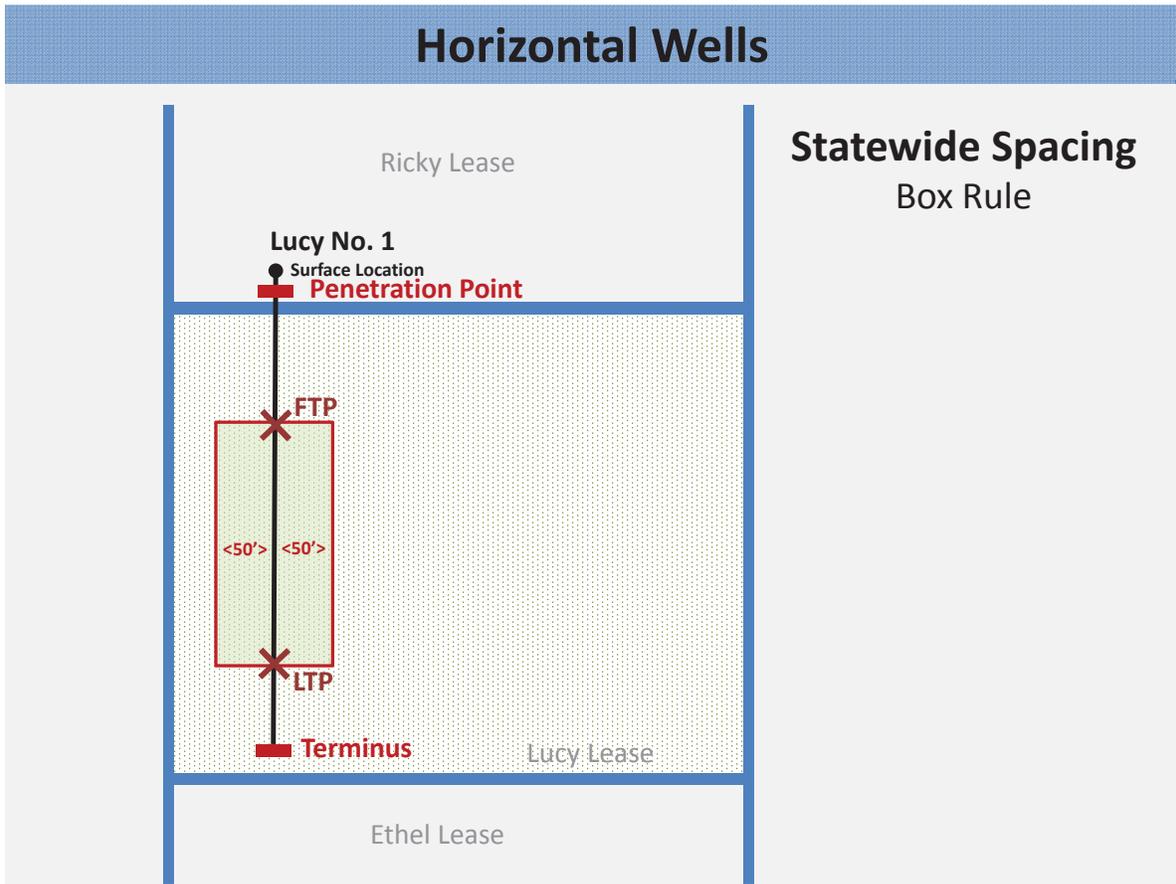
Stacked Laterals



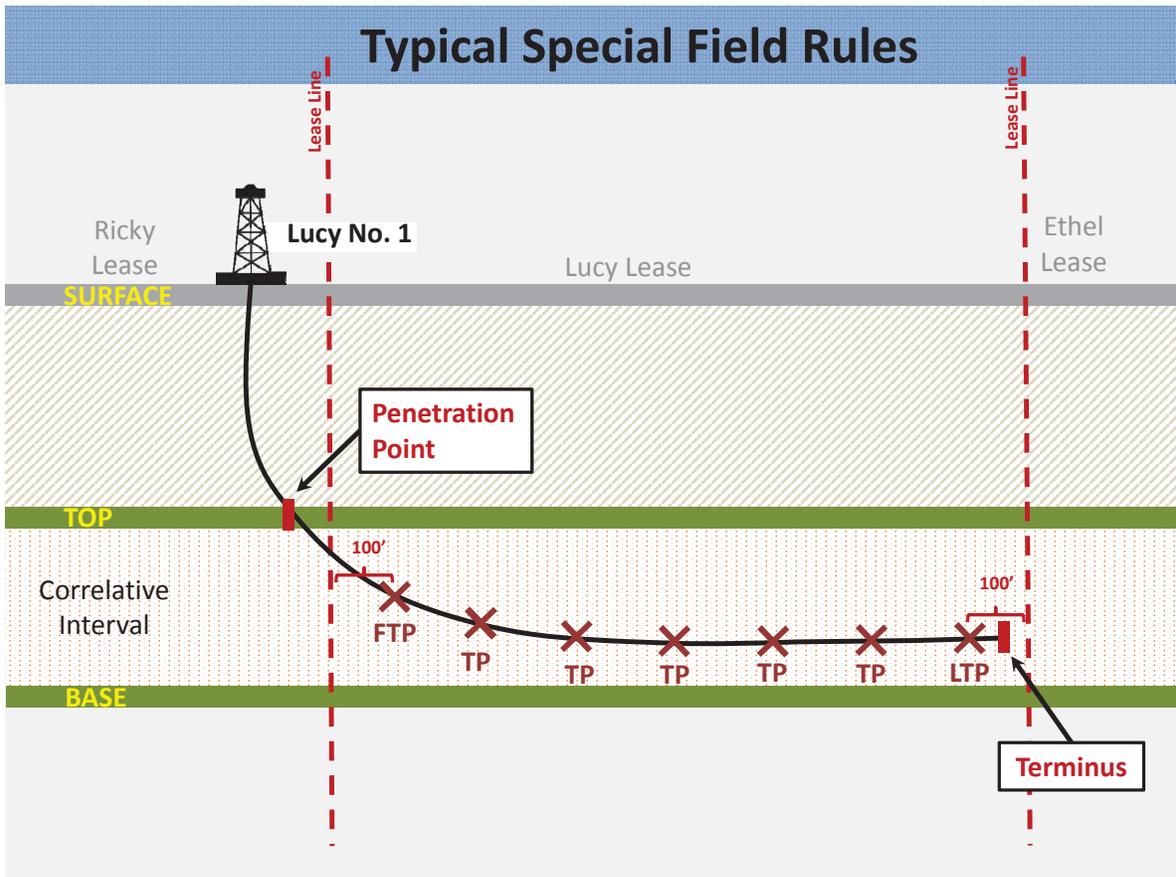
Horizontal Wells



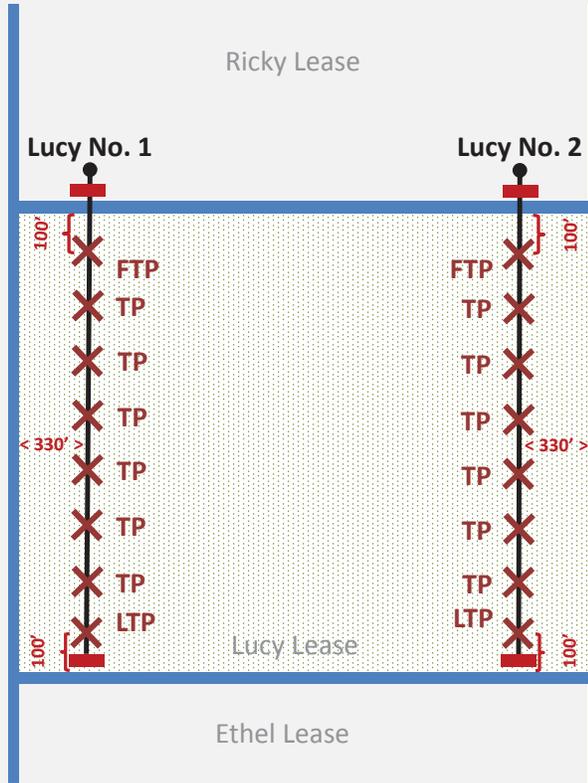
Horizontal Wells



Typical Special Field Rules

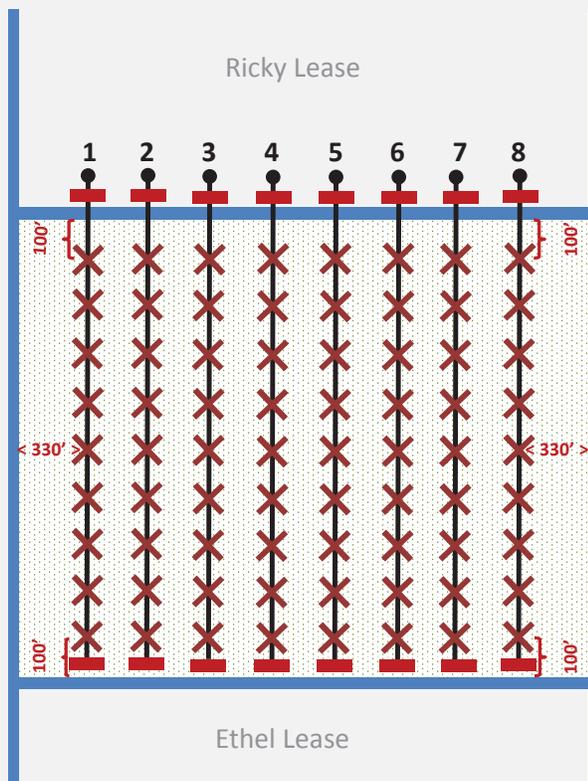


Typical Special Field Rules



Dual Lease Line Spacing Rule

Typical Special Field Rules



No Between-Well Spacing Rule

Disposal Wells

Routine Requirements Under RRC Rules 9 and 46

- Protection of Useable Quality Groundwater
- No Harm Letter
- Geologic Isolation
- AOR - Area of Review of Surrounding Wellbores
- Pressure Limits



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Disposal Wells

Routine Requirements Under RRC Rules 9 and 46

- Base of Useable Quality Groundwater
 - Done by RRC's Groundwater Advisory Unit
 - Identifies fresh water depths to be protected
 - Determines depth for cemented surface casing
- No Harm Letter
 - Done by RRC Groundwater Advisory Unit
 - Proposed injection will not endanger usable quality water



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Disposal Wells

Routine Requirements Under RRC Rules 9 and 46

- Geologic Isolation
 - Impermeable layers must confine disposal fluids in disposal formation
 - Impermeable layers must separate disposal formation from usable quality water
- Generally, accumulative total of 250 feet of clay or shale



49

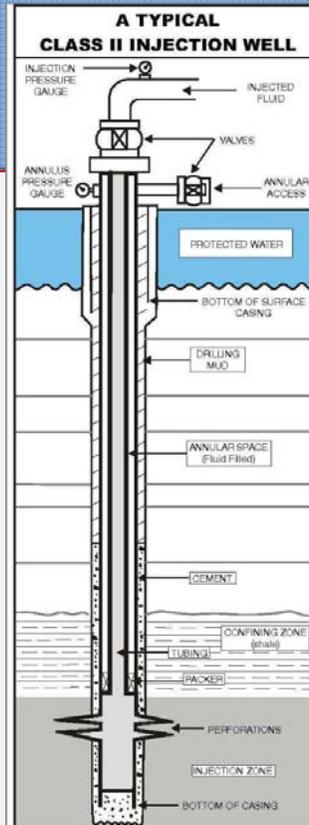
Disposal Wells

Routine Requirements Under RRC Rules 9 and 46

- Proposed Disposal Well Must Not Become a Conduit
 - Surface Casing
 - Production Casing
 - Tubing & Packer



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51

Disposal Wells

Routine Requirements Under RRC Rules 9 and 46

- AOR - Area of Review
 - Wellbores in 1/4 or 1/2 Mile Around Proposed Well
 - Must be cased and cemented to not be a conduit for migration of fluid from disposal formation to fresh water



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Disposal Wells

Routine Requirements Under RRC Rules 9 and 46

- Typical Surface Injection Pressure Limit
 - 1/2 psi per foot of depth to disposal formation
 - below formation fracture pressure
 - prevent harm to cemented casing
- Some areas with over-pressuring concerns



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Earthquakes

- Rule 9 and Rule 46
 - Applicants for disposal/injection well permit must submit recorded earthquake activity
 - USGS Web Page
 - Search of 100 square miles around proposed disposal well location
 - If earthquake activity, RRC may require additional information
 - geologic info (logs, maps, cross sections)
 - pressure front calculations
 - stated focus is on confinement of disposal fluid



54

Pipelines - Overview

Topics:

- Types of Pipelines
- Permitting
- Connection & Disconnection
- Anti-Discrimination Obligations
- Eminent Domain & Highway Right of Way



55

Pipelines - Overview

Topics - Limited Scope:

- Texas Statutes & Rules
- Intrastate Lines
- *Not* Interstate Lines
- *Not* FERC



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Pipelines - Overview

Topics - Limited Scope:

- Transportation away from leases and wells
 - Off-lease transportation lines
 - *Not* on-lease flow lines
- *Not* downstream transportation
- *Not* interconnections, facilities, or storage



57

Pipelines - Overview

Practicalities:

- Industry functions through:
 - Accommodations
 - Negotiations
- Very few:
 - Regulatory complaint cases
 - Regulatory enforcement cases
 - Court decisions



58

Pipelines - Overview

Practicalities:

- Texas statutes & rules provide backdrop for:
 - Accommodation and negotiation
 - Avoidance of :
 - Regulatory complaints and enforcement
 - Litigation



59

Types of Pipelines

Overlapping Terminology

- Private Line
- Gas Utility
- Common Carrier
- Common Purchaser
- Gathering Line
- Pipeline



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Types of Pipelines

Private Line

- Operator transports only own production on its own line
- No transportation for other producers
- Negotiated ROW – No condemnation



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Types of Pipelines

Private Line

- *Not* a term used in statutes or rules
- *Not* a Gas Utility
- *Not* a Common Carrier
- *Not* a Common Purchaser
- *Not* Subject to Anti-Discrimination and Connection Requirements
- *Not* authorized to condemn ROW



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Types of Pipelines

Gas Utility

- Applies to transporters of natural gas from a lease:
 - For compensation, or
 - On ROW acquired by condemnation or threat of condemnation



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Types of Pipelines

Common Carrier

- Applies to:
 - Transporter of crude oil from a lease for compensation,
 - Purchaser of lease crude oil transported from a lease by pipeline or gathering line, or
 - Transporter of crude oil from a lease on ROW acquired by condemnation or threat of condemnation.



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Types of Pipelines

Common Purchaser

- Applies to:
 - Pipeline or gatherer that buys lease crude oil;
 - Pipeline or gatherer that buys natural gas from a lease or well; or
 - Pipeline or gatherer that “takes” natural gas from a lease or well.



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Pipeline Permits

- RRC Jurisdiction:
 - Gas Utilities
 - Common Carriers
 - Common Purchasers
 - Pipeline Safety (including Private Lines)
- Permits are required for every pipeline and gathering line operating in Texas.



66

Pipeline Permits

- RRC Form T-4
 - Submitted for initial permit
 - Updated annually to show changes
 - Includes map showing
 - Location
 - Line diameter
 - Hydrocarbons transported



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Pipeline Permits

RRC Form T-4

- Designates:
 - Common Carrier, Gas Utility, or Private Line
 - Transportation for others
 - Use of public roadway
 - Transmission or Gathering



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Connection & Disconnection

- Access requirements apply to gas utilities, common carriers, and common purchasers.
- RRC can order line extension and connection to leases or wells.
- Producer consent or RRC approval required for disconnection.



69

Pipeline Connections

- RRC Statewide Rule 70
 - Applies to common carriers and common purchasers
- RRC can order producer well connections:
 - If common carrier line affiliated with a common purchaser,
 - If common carrier has the only line serving a field or common reservoir, or
 - To prevent common purchaser discrimination.



70

Pipeline Disconnection & Abandonment

- Disconnection/Abandonment
 - Common carrier may not abandon producer's connection without consent of the owner or approval of the RRC
 - RRC Rule 73 governs physical disconnection of gas and crude oil pipeline facilities from leases/wells



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Pipeline Disconnection & Abandonment

- RRC Rule 73
 - Requires consent from producer or RRC approval before disconnecting line,
 - Provides administrative procedures for notice to producer and approval if no objection, and
 - Provides for hearing procedures if needed.



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Pipeline Disconnection & Abandonment

- Evidence Considered for Disconnection:
 - Operational integrity of facilities
 - Operational integrity of well or lease equipment
 - Cost of continued operation/service
 - Risk to public safety, human health, environment
 - Alternative transportation
 - Correlative rights & waste



73

Anti-Discrimination Obligations

- Gas Utilities and Common Carriers
 - must receive and transport without discrimination
 - must treat similarly-situated shippers similarly



74

Anti-Discrimination Obligations

- Common Purchasers must purchase/take:
 - Without discrimination in the same field
 - Without unreasonable discrimination between fields



75

Anti-Discrimination Obligations

- RRC has adopted a Code of Conduct
 - Applies to transportation of gas
 - Specifies standards for non-discriminatory transportation by gas pipelines and gathering systems



76

Anti-Discrimination Obligations

- RRC Code of Conduct
 - Requires transporter to not give any shipper preference in the provision of transportation services over any other similarly-situated shipper



Anti-Discrimination Obligations

- Not every difference is a discrimination.
- Similarly-Situated Shipper:
 - Shipper that seeks or receives transportation services under same or substantially same physical, regulatory, and economic conditions as any other shipper of the transporter



Anti-Discrimination Obligations

- Code of Conduct lists 13 factors to be considered in assessing similarly-situated:
 - Service requirements
 - Location of facilities
 - Receipt and delivery points
 - Length of haul
 - Quality of service (firm, interruptible, etc.)
 - Quantity



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Anti-Discrimination Obligations

- Swing requirements
- Credit worthiness
- Gas quality
- Pressure (including inlet or line pressure)
- Duration of service
- Connection requirements
- Conditions and circumstances existing at time of agreement or negotiation



80

Anti-Discrimination Obligations

- Code of Conduct expressly applies only to transportation of gas.
- Likely would be applied to oil transportation.
- Code defines transportation service broadly to include exchange, backhaul, displacement, and other methods of transportation.



81

Eminent Domain

- Gas utilities and common carriers have eminent domain authority to condemn pipeline right of way.
- Operators of private lines, and operators of on-lease flow lines, do not have the power to condemn.



82

Access to Highway ROW

- Gas utilities and common carriers can place pipelines along or across public highways.
- A private line may cross a public highway, but cannot be installed along the highway right of way.



83

tgeorge@mcginnislaw.com



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