

Section K – A Guide to Gas Proration & Calculating Allowables According to Field Classification

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A Guide to Gas Proration

The purpose of this section is to explain gas proration documents and allowable calculations.

Gas Proration Documents

As a producer, gatherer, or purchaser you will be receiving a number of gas proration documents. Supplemental allowables will be mailed to you on a daily basis, as changes occur. Other documents are available by subscription. The Commission generates violation and notification letters as required.

Symbols or codes are used to communicate the status of gas wells, and indicate various types of exceptions, forms lacking, or different allowables. Except for two codes, all of the allowable codes and word allowables will print on the schedule:

- 1) The "OA" allowable prints on a supplement after forms are filed to indicate the well has been removed from schedule (plugged and abandoned, worked over to another zone, reclassified, etc.).
- 2) The "R" code is generated due to production received in excess of a limited allowable.

Both codes print on the ledger. In addition to allowable codes there are codes to reflect exceptions to testing requirements. Alphabetic codes, keyed from the P-4, are also used to indicate gas gatherer (i.e., HOUTP) and condensate gatherer (i.e., PLAML) on the schedule. A full well stream connection will print the gatherer code followed by an "F" on the schedule. When a P-4 designates two or more gatherers, the gatherer taking the highest percentage or gatherer coded first (in the case of 50% / 50%) is shown with a "+" code. Schedules also show commingling permit numbers.

Gas Well Allowable Supplement

1) Authority to Produce

When the appropriate gas well completion test forms have been filed and accepted, the "GAS WELL ALLOWABLE SUPPLEMENT" is used by the Commission to advise the operator and gas gatherer of the initial gas allowable(s). Initial allowable supplements are computer generated by the proration analyst and are your authority to produce. If "OW" appears, refer to the remarks section.

2) Revised Allowables Can Occur in any Field Type

a. Section 3.31. Rule 31(b)(1) states:

"Changes in allowable of gas wells currently assigned an allowable will be effective on the date of the test or date of the change affecting the well's allowable (when the operator submits special tests or information), provided this is not more than 15 days prior to the date the special test or information is received in the appropriate District Office."

It is important to be aware that a supplement supersedes any previously assigned allowable for the same month, whether issued by a schedule or an earlier supplement.

b. Change in Deliverability

3) A change in deliverability submitted on form G-10 may cause an allowable change if these conditions exist:

A) Prorated allowable in 100% deliverability field.

B) The well has # or N allowable code, and the new deliverability is less than the well capability.

c. Revised Allowables due to Production

1) Limited Allowables

Wells that are incapable of producing a top allowable as demonstrated by their past production or current G-10 are assigned a limited allowable. These "limited" wells are supplemented, as required, by authority of Section 3.31 Rule 31(h)(2).

"If the most recent production figures reported to the Commission show a non-prorated well to be overproduced, the allowable will be revised to cover overproduction that is in excess of the well's accumulated underproduction, up to the maximum allowable. A non-prorated well with accumulated overproduction will be assigned a supplemental allowable that will balance the accumulated overproduction or a supplemental allowable equal to the well's maximum allowable, whichever is smaller."

A limited allowable well that produces an amount greater than the assigned allowable but less than a top prorated allowable and has no prior accumulated underproduction will be revised to its production with an "R" code on the ledger but no supplement is printed. A supplement will be printed, however, when the assigned allowable is revised to the top allowable. (For further information refer to Statewide Rule 31).

2) Special Allowables

A) Wells with administrative special allowables assigned in accordance with Rule 31(k)(1) may be supplemented up to 100 MCF per day if production exceeds the allowable or up to 250 MCF per day in prorated fields without special rules (designated by an N after the allowables).

B) Special allowables set by a hearing may be supplemented up to the amount specified by the hearing.

C) K2 Special Allowables - Section 3.31. Rule 31(k)(2) states:

"A well, other than an administrative special allowable well defined in subparagraph (k)(1), in a prorated field whose average monthly production during the last six consecutive months falls below the cutoff percentage (determined by the Commission at the monthly statewide hearing) of the well's top allowable averaged over that six month period, will be assigned an administrative special allowable pursuant to subsection (h) of this section. The initial cutoff percentage is 70% and will remain at 70% until changed in accordance with this subparagraph..."

Wells with K2 special allowables may be supplemented up to a top allowable if production exceeds the initial allowable (designated by an N after the allowable and a K2 before the I.D. number on the operator stripout).

d. Other

In addition to allowable assignments, the supplement is also used to advise when a gas well is removed from schedule due to a reclass, workover to another zone or field, or when the well is plugged and abandoned (filing of Form G-1, W-2, or W-3). Also, the filing of a Form P-15 & Plat, G-1 retest, G-10 retest, PR production report, L-1's and logs may create supplemental changes. The remarks section will indicate the purpose of the supplement.

Supplements are also used by the Commission to show the transfer of wells from one field to another due to consolidation or division of fields. This procedure is used if the mentioned changes do not occur by the issuance of a schedule. Railroad Commission identification numbers will remain the same for each gas well, although the well changes fields.

Key to Symbols, Word Allowables, and Codes Used in Gas Supplements, Strip outs, Schedules, and Ledgers

Symbols

- @ Used prior to 11-1-94
- R A revised allowable assigned to a gas well when the reported production in the current production month is in excess of the limited (#) allowable and cumulative underage but less than top allowable and includes revision due to prior accumulated overage.
- N Administrative Special Allowable
- 1) Well with deliverability, capability, and six consecutive months of 100 MCF per day or less of production.
 - 2) Well with deliverability capability and six consecutive months of 250 MCF per day or less of production in a prorated field without special field rules.
 - 3) A well in a prorated field whose average monthly production during the last six consecutive months falls below the cutoff percentage of the well's top allowable averaged over the 6 month period. Receives Special K-2 designation.
- O Allowable assigned when the market for a prorated field was set to zero "0". A zero "0" allowable well can produce in accordance with the balancing provision in SWR 31(i)(5).
- S Indicates a special allowable (monthly) has been granted by Commission action through notice and hearing (priority 2).
- OW Indicates that the well has been placed on schedule with allowable withheld pending receipt of additional routine forms.
- OA Abandoned well. This allowable code is assigned by a gas well allowable supplement only to remove a well from schedule that has been plugged and abandoned or worked over to another pay zone or reclassified.
- OZ Well not eligible for an allowable. Serious condition exists and must be corrected with the Commission. SWR-10 Zone or stacked lateral child well.
- A A special daily allowable, granted by Commission action, which will allow underage to be carried forward.
- O* Used prior to 7-1-92.
- L Used prior to 7-1-92.
- U Used prior to 7-1-92.

- O\$ Temporarily abandoned well with 14(b)(2) exception or inactive side of multiple completion.
- # Allowables are set at capability times calendar days.
- OI Injection well.
- C Well allowed to cycle gas under special order (Form G-9 required).
- X Allowable assigned to wells in fields with suspended allocation formula (100% AOF), salvage fields and storage fields.
- SWR Indicates none reporting zone of SWR 10 exception wellbore.

Word Allowables

- SI MULT Inactive side of multiple completion.
- SEALED A well that has seals placed on it at the operator's request, or by Commission action.
- DLQ G-10 Gas Well Status Report (Form G-10) is delinquent. Report must be filed to reinstate allowable.
- INC G-10 Incomplete Gas Well Status Report (Form G-10) that lacks required data.
- DLQ H-10 Annual Disposal/Injection Well Monitoring Report (Form H-10) is delinquent.
- DLQ H10H Annual Well Monitoring Report, Underground Storage in Salt Formations (Form H-10H) is delinquent.
- SHUT-IN A shut-in well that has the shut-in wellhead pressure (PSIA) reported on Form G-10.
- TA A temporarily abandoned well with no shut-in wellhead pressure (PSIA) on Form G-10 or with volume on Form H-10 for injection wells.
- PARTL PLG Indicates that the zone has been improperly plugged but is not capable of producing. Zone must be plugged in compliance with SWR 14(c) before it can be removed from schedule.
- PF Unit Participation factor – gas wells included in gas leases allowable to facilitate gas cap blow down
- OBSERV Observation Well.
- INJECT Well permitted for injection purposes and most recent status report (i.e., G-1, H-10) indicates well is actively injecting. Operator to notify RRC by filing Form G-1 when well placed into injection service. Wells are carried on schedule in nearest recognized field.
- STG WDRL Well in a storage reservoir used for withdrawal purposes only.
- STRG INJ Well permitted for injection in a storage reservoir and used for injection or injection and

withdrawal purposes.

GAS STRG	Well permitted for injection in a salt formation and used for either injection or withdrawal.
DOMESTIC	For residential use only.
P&A COND	Well plugged, worked over, or reclassified with condensate stock on hand.
DELQ PR	Form PR is delinquent for current production month.
H-15 VIOL	Failure to file H-15 or failing the actual test submitted on the H-15.
14(B)(2)EXT	Inactive well with a 14(B)(2) extension.

Test Codes on Printed Schedule

X	Appears beside wellhead pressure when an exception has been granted.
E	Appears beside deliverability when a well has been exempted from testing.
TE	Temporary exception to G-10 survey tests for wells added to schedule after the survey is printed and before it becomes effective.
U	No longer in effect (used prior to 4-1-00)
*	Appears beside deliverability when decreased by operator request.

Hierarchy of Gas Allowables

20000	TOP ALLOWABLE. WILL ACCRUE UNDERAGE IN PRORATED FIELDS.
20000N	TOP ALLOWABLE FOR SPECIAL ALLOWABLE WELLS SET IN ACCORDANCE WITH STATEWIDE RULE 31(K)(2).
19999R	R (LIMITED (#) ALLOWABLE + OVERAGE UP TO A TOP
7801R	ALLOWABLE.)
7800#	LIMITED TO CAPABILITY. WILL ACCRUE UNDERAGE IN PRORATED FIELDS.
4500N	SPECIAL ALLOWABLE SET IN ACCORDANCE WITH RULE 31(K)(2). CANNOT ACCRUE UNDERAGE.
3100N	TOP ALLOWABLE FOR SPECIAL ALLOWABLE WELLS SET IN ACCORDANCE WITH RULE 31 (K)(1). CANNOT ACCRUE UNDERAGE.

165N SPECIAL ALLOWABLE SET IN ACCORDANCE WITH RULE 31 (K)(1). CANNOT ACCRUE UNDERAGE.

"#" allowables will be adjusted up, based on reported production or when necessary for prior accumulated overproduction. If the revised allowable is less than the top allowable, the revision of the allowable will occur on the ledger only and a "R" will appear next to the allowable. Operators will not receive a supplement. If the allowable is revised to a top allowable a supplement will be generated. A top allowable well will have no symbol following the allowable. N allowable wells assigned in accordance with Rule 31(k)(2) are eligible to produce up to the top allowable but will retain the N code when revised to top. N allowable wells assigned in accordance with Rule 31(K)(1) are eligible to produce up to a top allowable of 100 MCF per day or 250 MCF a day in prorated fields without rules and will retain the "N" code.

NOTE: Accumulated underage will be used before the "R" is applied since the adoption of the new gas rules effective February 1, 1994.

Operator's Supplement Field Codes

Field Type

- A Associated
- N Non-Associated

Allowable Type

- O One Well
- C Cycling
- F 100% AOF
- P Prorated
- R Storage
- S Statewide Exempt
- K Salvage
- L Liquid Limit

Gas Proration Schedule and Various Field Types

The Gas Proration Schedule is generated monthly by the Information Technology Services Division (ITS). The schedule is the master record of all gas fields, sorted by District, in alphabetical order without regard to classification. Generally, the next month's schedule is calculated four or five days before the end of the current month. The Oil and Gas Schedule listed by operator, gatherer, and purchaser (or strip outs) are generated the following night. Schedule shutdown occurs in this time frame to allow time for allowables to be received by the industry by the first week of the month. Operator strip out is published monthly. Gatherer strip out is published semiannually for the allowable months of March and September, while purchaser strip out is published semiannually for the allowable months of May and November. All strip outs are available on the RRC web site monthly at the URL:

The full version of the Oil And Gas Proration Schedule can also be accessed via the home page under <http://www.rrc.texas.gov/oil-and-gas/research-and-statistics/proration-schedules/>
<http://www.rrc.texas.gov/oil-gas/research-and-statistics/proration-schedules/>

The abbreviated version of the Oil And Gas Proration Schedule can be accessed via the home page under <http://webapps2.rrc.state.tx.us/EWA/gasProQueryAction.do>

Gas Proration Schedule listed by Operator

OIL AND GAS PRORATION SCHEDULE LISTED BY OPERATOR						MARCH 2018		
K & D OPERATING CO. A				STATUS DATE 01012018				
PO BOX 1008				UPDATED THRU 02/23/2018				
GRUVER TX 79040				DAYS 31 FACTOR 100				
GAS-WELLS						GAS ALLOW		
DIST	FIELD NAME	I. D.	LEASE NAME	WELL	MO.	MCF	STATUS	

10	HANSFORD (MORROW, UPPER)	202527	JACKSON	2		1178N		
10	HANSFORD, NORTH (MORROW)	022172	ODONNELL GAS UN	1		P&A-COND		

Field Types Found on Proration Schedule

In addition to field name, each gas reservoir is properly identified for allowable control purposes. We will review some of the classes of fields for information shown in each of its uses. The field heading is the same format for all gas fields. The associated field will generally have an oil field by the same name and number on the oil schedule. Operator name and number, ID number, lease name and well number all appear in the same position for all classes of fields. The column headers will change based on field type and field rules.

1. Associated - 49B

Well testing is once a year unless there is surface commingling of liquids. If the commingling of wells occurs, a test is required twice a year. The Form G-10 identifies wells requiring the commingled test with an asterisk.

The monthly gas allowable will not be in excess of the 49B daily rate times calendar days. Some 49B fields have a multiple 49B rule wherein acreage may be assigned in excess of the basic unit size, thus increasing the daily rate. Acreage limits may be eight times or even sixteen times the basic daily amount. The monthly gas allowable is either the daily limit times calendar days or the capability times calendar days, whichever is less, with the latter having a "#" symbol.

The allowable, if limited, is internally raised to production, but not in excess of daily limit times calendar days. An "R" code is used to denote the revision on the ledger.

Regular 49B wells have no production status unless overproduced. A well is not subject to shut-in until overproduction exceeds the next month's top allowable. Any portion of the 49B well allowable not produced is lost in the month in which the underproduction occurs. If there is cumulative overproduction the underage will apply against the overage until balanced.

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HALLSVILLE, NE. (PETTIT)          38291 500 HARRISON      CO,ASSOCIATED--49-B      ,DEPTH- 6824 ,DISC 11111980
*****
ANNUAL TESTING (G-10) JAN FEB MAR DUE APR EFF MAY          **
DIAG. 3250
FIELD REMARKS: 00-00-0000 MULTI 49B MAX. 640 AC. 10% TOL. DOCKET 6-76310
                                     ,SPAC. 560/1650 ,ACRES 80 ,TOL
                                     G-10 GAS ALLOW 01-1
-----
IDENT      LEASE NAME          WELL      ACRES  DAILY  DEL  G-1  POTE  EFF  MO.  MCF  STATUS  GATH      COMM @AMT L-AMT 14B
-----
BP AMERICA PRODUCTION COMPANY 040798 P-5 ACTIVE
092510 NESBITT, STROUD B. GAS UNIT      1      80.000  411    8
195766 NESBITT, STROUD B. GAS UNIT      2     593.700 3050  387
                                     0#      ENTPO  ENABL+7994
                                     310#   ENTPO  ENABL+7994
-----
TOTALS:  WELLS -      2      0-P      2-L      0-S  ALLOWABLE -      310      0-P      310-L      0-S
    
```

2. Non-Associated or Associated - Statewide Exempt

The non-associated or associated statewide exempt field header identifies the allowables. This field type has allowables set in accordance with Statewide Rule 31(g)(5)(A).

"A statewide exempt field is any gas field in which no special field rules have been adopted and in which no well in the field has a current reported deliverability test of greater than 250 Mcf a day. Wells in statewide exempt fields shall be assigned allowables equal to their capability to produce but in no event greater than 250 Mcf a day."

Field testing is semi-annual as set out for each field. There is a three-month testing period with the Form G-10 due in Austin by the fourth month and effective the fifth month, as shown on schedule.

Gas Well Production Ledger Codes

Gas Well Allowable Codes

- 0A P&A Well (normally assigned by supplement only).
- B Panhandle, West and Panhandle, West (Red Cave) Fields, Rule 28 allowable until 5-1-87.
- C Well allowed to cycle gas under special order.
- 0I Injection Well.
- L Allowable restricted at operators request. From 4-1-87 to 7-1-92: Allowable Limited to highest daily production in previous 12 months. Underage will not carry forward.
- N Special allowable granted by administrative action (no hearing) Effective 2-1-94 special allowables will be granted in accordance with SWR 31 (k) (1) and (k) (2).
- R Revised allowable assigned when reported production exceeds the limited (#, @, L) allowable, but is less than the top prorated allowable.
- S Special allowable granted by Commission action (Hearing).
- T 25% potential prorated allowable in Panhandle, West Field Until 5-1-87.
- U From 4-1-87 to 7-1-92: Allowable limited to highest daily production rate in previous 12 months, underage will carry forward.
- 0W Allowable withheld pending receipt of necessary routine forms.
- X Allowable assigned in fields with suspended allocation formula (100% AOF).
- 0Z Wells not eligible for an allowable.
- @ Allowable adjusted on the basis of past production.
- # Allowable restricted to 100% of the deliverability test (G-10).
Effective 7-1-92 allowable set at capability times calendar days.
- 0* Wells permitted to produce up to twice their average daily allowable for the preceding six months. However, well's allowable is still zero. The purpose of this allowable is not to restrict production but to reduce field underproduction and therefore bring the field into balance. Not in effect after 7-1-92.
- 0\$ Temporarily abandoned well with 14B2 exception or inactive side of multiple completion.

Gas Disposition Codes

- 1) Lease or Field Fuel Use
- 2) Transmission Line
- 3) Processing Plant
- 4) Vented or Flared
- 5) Gas Lift
- 6) Repressure/Pressure Maintenance
- 7) Carbon Black
- 8) Underground Storage

Condensate Disposition Codes

- 0 Pipeline
- 1 Truck
- 2 Tank Car or Barge
- 3 Net oil/condensate from commercial tank cleaning
- 4 Circulating Oil/Condensate
- 5 Lost or Stolen
- 6 Sedimentation
- 71 Other – change of operator
- 72 Other – road oil
- 73 Other – lease use
- 74 Other – production lost to formation.
- 75 Other – Provide an explanation in REMARKS on Form PR.
- 8 Skim Liquid Hydrocarbons

RRC Internal Disposition Codes

- 10 SWR 10
- 99 Invalid or Omitted Disposition

Monthly Status Code

- B Field and Well on Routine Balancing
- C Voluntary Cancelled Underage

Gas Production Ledger Example

GAS PRODUCTION LEDGER																				
CLAY, NE (AUSTIN CHALK 11350)				18705 070		NON-ASSOCIATED				PRORATED			CNTY: BURLESON							
SMITHSON RESOURCES CORP.				767060																
TERRELL UNIT				WELL #: 1AH		RRCID - 146589		COMPL. DATE 07/23/1993			TOTAL DEPTH 15918			PERF. 11950-15918						
M	O	ALLOW	CODE	GAS	INJECT. (I)	MONTHLY	CUMU. STATUS	**DISPOSITION**		C	COND	**DISPOSITION**			EOM					
				PROD	GAS LIFT (L)	STATUS	CODE	UNDERAGE	AMOUNT	CODE	AMOUNT	CODE	M	PROD	AMT	CODE	AMT	CODE	BAL.	
03/01 BALANCING DATE STATUS - - 109945																				
03		31000	#	22676		-0-	-8324	B	-118269	21613	2	1063	9	N	966	915	1	5	8	177
04		30000	#	16191		-0-	-13809	B	-132078	15404	2	787	9	N	715	543	1	1	8	348
05		31000	#	16523		-0-	-14477	B	-146555	15734	2	789	9	N	717	900	1	1	8	164
06		30000	#	12471		-0-	-17529	B	-164084	11886	2	585	9	N	531	370	1			325
07		16740	N	13714		-0-	-3026	B	-164084	13156	2	558	9	N	507	532	1	1	8	299
08		16523	N	9860		-0-	-6663	B	-164084	9664	2	196	2	N	178	363	1	1	8	112
09/01 BALANCING DATE STATUS																				
						-54139	CANCELLED UNDERAGE				-109945									

* – Indicates changed allowable or corrected Form PR filed for month (Displayed in leftmost column).

EOM – If ledger shows “No Report”, EOM balance is carried forward from last PR filed.

Column Heading CM – Y (Yes) or N (No) Indicates whether or not the RRC ID is permitted to commingle liquids.

Ledgers and Production Letters

Ledgers

The Commission currently maintains twenty-six months of gas allowables on computer tape and twenty-four months of production. The current production month is always the twenty-fourth month on tape and the current month's schedule allowable is the twenty-sixth month on tape. Each month, after current gas production ledgers are printed, a "roll" of data by Information Technology Services is performed to:

- accumulate the oldest production month on tape by field so that month can be dropped off and the records open to the most current month that will be reported.
- set up records for next month's schedule, and
- post upcoming tests for current month. This routine is followed by the printing of various statistical reports.

As the current month's production is being reported, including current, corrected, or retroactive PR reports, there will be discrepancy lists generated for both production analysts and proration analysts to review. Most lists demand attention if the allowable and/or production are to appear correct on the current gas production ledgers. All production violations are programmed to generate messages that may lead to overproduction letters or seal-in letters.

- a) Ledger for (Statewide) Exempt Wells
Under our current Statewide rules, overproduction is supplemented up to 250 MCF per day. If this production exceeds 250 MCF per day, the field will be placed under % deliverability allocation formula.
- b) Ledger for Associated 49B Well
Under Rule 49B, underproduction is not brought forward, and can only be applied to previous overage. Overproduction of allowable restricted by capability will automatically be adjusted up to basic 49B allowable times calendar days.
- c) Ledger for 100% AOF Well
There is no overproduction in this classification of field; the allowable is based on the lesser of the deliverability times calendar days in the month or the capability times calendar days. All allowable codes are "X". Except for special administrative allowable weeks which will have an "N" code.

GAS PRODUCTION LEDGER

NON-ASSOCIATED						
WELL #:1 RRC ID → 010986						
	M O	ALLOW CODE	GAS PROD	INJECT. (I) GAS LIFT (L)	MONTHLY STATUS (CODE)	CUMU. STATUS (-) UNDERAGE
Underproduction	9	7500	1150	-0-	-6350	-0-
	10	7750	1778	-0-	-5972	-0-
	11	7500	1340	-0-	-6160	-0-
	12	7750	1049	-0-	-6701	-0-
	1	7750	1316	0	6434	0
	2	7000	1116	-0-	-5884	-0-
WELL #: 1 RRC ID → 006982						
Overproduction	9	Shut-in	-0-	-0-	-0-	-0-
	10	Shut-in	-0-	-0-	-0-	-0-
	11	Shut-in	-0-	-0-	-0-	-0-
	12	7750	5973	0	1777	0
	1	7750	21076	-0-	13326	13326
	2	7000	16610	-0-	9610	22936
ASSOCIATED						
WELL #: E13 RRC ID → 069656						
Overproduction	9	3030	3056	0	26	26
	10	3131	4536	-0-	1405	1431
	11	3030	2507	-0-	-523	908
	12	3131	3100	-0-	-31	877
	1	3131	1316	-0-	-1815	-0-
	2	2828	2825	-0-	-3	-0-
Underproduction	9	68280 #	41459	-0-	-26821	-0-
	10	70556 #	48597	-0-	-21959	-0-
	11	68280 #	49824	-0-	-18456	-0-
	12	58356 R	58356	-0-	-0-	-0-
	1	58768 R	58768	-0-	-0-	-0-
	2	55742 R	55742	-0-	-0-	-0-
NON-ASSOCIATED						
WELL #: 1 RRC ID → 010729						
Underproduction	9	11700 X	449	-0-	-11251	-0-
	10	6200 X	3007	-0-	-3193	-0-
	11	6000 X	4727	-0-	-1273	-0-
	12	6200 X	1366	0	4834	0
	1	6200 X	2664	-0-	-3536	-0-
	2	5600 X	2592	-0-	-3008	-0-

d) Gas Balancing Rule {Statewide Rule 31 (h) and (i)}

The balancing provision of gas is for wells completed in prorated gas reservoirs, both associated and non-associated. Production from a prorated gas field is subject to balancing. In some cases, operators have requested a balancing rule in associated 49B gas reservoirs. Balancing dates and balancing periods are set out by the rules for the purpose of computing and balancing overproduction and underproduction. The "balancing dates" are 7:00 a.m. March 1, and 7:00 a.m. September 1. The "balancing periods" are two six month periods; one begins at 7:00 a.m. March 1 and ends at 7:00 a.m. September 1. The other period begins at 7:00 a.m. September 1 and ends at 7:00 a.m. March 1.

Allowable adjustments and balancing provisions for non-prorated wells {Rule 31(h)}:

- (1) A non-prorated well shall not be allowed to accumulate underproduction. However, a limited well shall be entitled to accumulate underage up to the well's capability each month.

(2) If the most recent production figures reported to the Commission show a non-prorated well to be overproduced, the allowable will be revised to cover overproduction that is in excess of the well's accumulated underproduction, up to the maximum allowable. A non-prorated well with accumulated overproduction will be assigned a supplemental allowable that will balance the accumulated overproduction or a supplemental allowable equal to the well's maximum allowable, whichever is smaller.

Underproduction {Statewide Rule 31 (i)(4)}

- (1) If during the balancing period a prorated gas well or a limited well does not produce as much gas as is allocated to it by the Commission, the operator of the well shall be permitted to carry such underproduction forward to the next succeeding balancing period as future allowable credit to be produced during that period.
- (2) The amount of underproduction to be carried forward into any new balancing period as allowed production during such new balancing period shall consist of the actual underproduction that accrued in the balancing period immediately preceding such new balancing period; and the accumulative well status as to underproduction will be adjusted on each balancing date accordingly. An operator may request that underproduction not balanced during a second balancing period be carried forward to subsequent balancing periods. The operator's request must include evidence of increased market demand that will allow underproduction to be produced in the subsequent balancing period. The request may be granted administratively by the Commission or the Commission designee if the request was filed no later than the last day of the balancing period following the date the underproduction is cancelled, the operator has given at least 21 days notice to all other operators in the field and the first purchaser of gas from the subject well, and no protest to the request has been filed. The request may also be approved administratively if the operator provides written waivers of objection from all to whom notice would be given as an alternative to notice and absence of protest. If the Commission or the Commission designee declines to grant administratively the request, the operator may request a hearing.

Overproduction {Statewide Rule 31(i)(5)}

Production in excess of the Commission assigned monthly allowable does occur, and is permitted, subject to the rules governing overproduction.

- (a) Subject to the following prescribed conditions, the operator of a gas well, may produce the well in excess of the monthly allowable allocated to the well. No well shall in any one month be produced at a rate in excess of its underproduction plus twice its monthly allowable without obtaining approval from the Commission prior to the due date for the production report for the overproduced month. A well which is balanced or overproduced may not in any one month produce an amount in excess of twice its monthly allowable without obtaining approval from the Commission prior to the due date for the production report for the overproduced month. A

well which is balanced or overproduced will not be granted such authority for more than two months in any six month balancing period.

- (b) Any well that was overproduced as of the beginning of a balancing period, being also overproduced at the end of the balancing period and remaining overproduced for the entire period during the balancing periods, shall be shut-in until the overproduction that existed is made up.
- (c) Rule 31(i)(5)(B) is a provision whereby the Commission may allow an operator to continue producing at a lesser rate than the assigned allowable to make up overproduction.
- (d) Existing overproduction on any balancing date shall be made up during the following balancing period and may be made up at any time during the period. For example, it is not necessary to make up a part of the overage each month during a balancing period, so long as all of the overage is made up during the period. It may be possible to retire the overage in a single month or several. It is possible to be overproduced at the beginning of a balancing period, make up the overage, and end the current balancing period again overproduced, without being subject to shut-in.
- (e) Be reminded of one other rule concerning overage.

Statewide Rule 31(b)(3) reads as follows:

"When a well is recompleted as a gas well in a different field, any overproduction that has occurred in the old field must be made up before an allowable will be assigned in the new field."

GAS PRODUCTION LEDGER

WELL #: 54 RRC ID → 038142

M	ALLOW CODE	GAS PROD	INJECT. (I) GAS LIFT (L)	MONTHLY STATUS (CODE)	CUMU. STATUS (-) UNDERAGE
09/01 BALANCING DATE STATUS → -0-					
9	16710 #	14470	-0-	2240- B	2240-
10	17267 #	14460	-0-	2807- B	5047-
11	16710 N	16132	-0-	578- B	5047-
12	17267 #	16077	-0-	1190- B	6237-
1	13852	15883	-0-	2031 B	4206-
2	22101	14362	-0-	7739- B	11945-
03/01 BALANCING DATE STATUS → -11945					

WELL #: IU RRC ID → 036126

09/01 BALANCING DATE STATUS → 5222-					
9	3744	7804	-0-	4060 B	1162-
10	4052	7466	-0-	3414 B	2252
11	10449	2013	-0-	8436- B	6184-
12	16487	-0-	-0-	16487- B	22671-
1	16278	-0-	-0-	16278- B	38949-
2	3128 N	-0-	-0-	3128- B	38949-
03/01 BALANCING DATE STATUS → 38949-					

**EXAMPLES OF WELLS PERMITTED TO CARRY UNDERPRODUCTION FORWARD TO THE NEXT SUCCEEDING BALANCING PERIOD.
Ref. Statewide Rule 31(i)(4)**

GAS PRODUCTION LEDGER

WELL #: 161 RRC ID → 039203

M O	ALLOW CODE	GAS PROD	INJECT. (I) GAS LIFT (L)	MONTHLY STATUS (CODE)	CUMU. STATUS (-) UNDERAGE
09/01 BALANCING DATE STATUS → 13564-					
9	32949	22677	-0-	10272- B	23836-
10	35588 #	26369	-0-	9219- B	33055-
11	34440 #	23830	-0-	10610- B	43665-
12	35588 #	22529	-0-	13059- B	56724-
1	35588 #	20782	-0-	14806- B	71530-
2	27527 N	18066	-0-	9461- B	71530-
03/01 BALANCING DATE STATUS → 57966- CANCELED UNDERAGE → 13564-					

WELL #: 2 RRC ID → 039772

09/01 BALANCING DATE STATUS → 11569-					
9	99480 #	88831	-0-	10649- B	22218-
10	102796 #	92848	-0-	9948- B	32166-
11	85000 #	87000	-0-	2000 B	30166-
12	86924 #	82544	-0-	4380- B	34546-
1	86000 #	88000	-0-	2000 B	32546-
2	97000 #	89000	-0-	2000 B	30546-
03/01 BALANCING DATE STATUS → 24977- CANCELED UNDERAGE → 5569-					

**EXAMPLES OF WELLS WITH UNDERPRODUCTION AT THE TIME OF THE PREVIOUS
BALANCING DATE. UNDERAGE NOT PRODUCED DURING THE SIX MONTH PERIOD IS
CANCELED.
Ref. Statewide Rule 31(i)(4)**

GAS PRODUCTION LEDGER

WELL #: 1 RRC ID 041747						
M	GAS	INJECT. (I)	MONTHLY	CUMU. STATUS		
O	ALLOW CODE	PROD	GAS LIFT (L)	STATUS (CODE) (-) UNDERAGE		
09/01	BALANCING DATE STATUS		280303			
9	440389	416335	-0-	24054-	B	256249
10	466565	424789	-0-	41776-	B	214473
11	434789	407605	-0-	27184-	B	187289
12	355950	421940	-0-	65990	B	253279
1	343779	407067	-0-	63288	B	316567
2	331009	349863	-0-	18854	B	335421
03/01	BALANCING DATE STATUS		335421			
WELL #: 1 RRC ID 043303						
09/01	BALANCING DATE STATUS		445977			
9	416714	472584	-0-	55870	B	501847
10	441483	482515	-0-	41032	B	542879
11	411416	467336	-0-	55920	B	598799
12	336814	481708	-0-	144894	B	743693
1	325298	464813	-0-	139515	B	883208
2	313214	416236	-0-	103022	B	986230
03/01	BALANCING DATE STATUS		986230			

EXAMPLES OF WELLS SUBJECT TO BEING OVERPRODUCED DURING TWO CONSECUTIVE BALANCING PERIODS. PREVIOUS OVERAGE NOT UNDERPRODUCED DURING CURRENT PERIOD.
 Ref. Statewide Rule 31(i)(4)

GAS PRODUCTION LEDGER

WELL #: 197 RRC ID 019914						
M	GAS	INJECT. (I)	MONTHLY	CUMU. STATUS		
O	ALLOW CODE	PROD	GAS LIFT (L)	STATUS (CODE) (-) UNDERAGE		
09/01	BALANCING DATE STATUS		20000-			
9	10000	25000	-0-	15000	B	5000-

DOES NOT NEED EXCEPTION TO H.B. 1866 TO PRODUCE OVER TWICE THE TOP ALLOWABLE (ENOUGH UNDERAGE).

WELL #: 3C RRC ID 019769						
09/01	BALANCING DATE STATUS		15000-			
9	20000	60000	-0-	40000	B	25000

NEEDS EXCEPTION TO H.B. 1866 TO PRODUCE OVER TWICE THE TOP ALLOWABLE (NOT ENOUGH UNDERAGE).

Overproduction Letters

As a regulatory agency, the Commission is charged with the responsibility of reviewing production to ensure that all gas wells are produced in accordance with the conditions and limitations as set forth by law. Each month hundreds of overproduction letters are mailed. Many could have been avoided simply by the timely filing of appropriate forms or tests. The following are types of overproduction letters.

A) Overproduction Prior to Effective Date of Allowable

These letters will be generated when the reported production is prior to the effective date of the allowable. Operators should respond to the Austin Office in writing and, unless the overage has already been made up in the current interim period, should either shut the well in or request a reduced rate.

B) Producing With No Allowable

These letters will be mailed on any type of well that reports production without an allowable. Generally, previous correspondence by letter or supplement has advised the operator of required data necessary to assign allowables. Be reminded of the fifteen-day limit on assigning allowables.

C) Overproduction of 49B Allowables

The 49B wells are subject to shut-in when the cumulative overage exceeds the next month's assigned allowable. These types of wells must be balanced back to -0- status within six months of violation to avoid being sealed in by the District Office.

D) Overproduction of G-10

This letter is used for wells previously exempt from filing a G-10 under SWR 28 (b) but have begun producing more than 100 MCF/Day or 250 MCF/Day in fields without special field rules.

E) Production in Excess of Twice a Prorated Allowable

The operator of a gas well may produce the well in excess of the monthly allowable allocated to the well. However, no well shall in any one month produce at a rate in excess of its underproduction plus twice its monthly allowable without obtaining approval from the Commission prior to the due date for the production report for the overproduced month. A well which is balanced or overproduced may not in any one month produce an amount in excess of twice its monthly allowable without obtaining approval from the Commission prior to the due date for the production report for the overproduced month. A well which is balanced or overproduced will not be granted such authority for more than two months in any six-month balancing period. Statewide Rule 31 (i) (5) (A).

F) Overproduced Two Consecutive Balancing Periods

A well is overproduced two consecutive balancing periods when the overproduction as of the beginning of the last balancing period has not been made up during that period. The operator may either shut-in the well or request a reduced rate to make up the overage. A reduced rate for this type of violation will only be granted if the overage can be made up by the end of the current balancing period. All the overage accrued in the 2 consecutive balancing periods must be made up for the well to be in compliance.

Other Letters

A. Reduced Rate:

There are times when a well is subject to shut-in under the overproduction rules. However, there are wells that would be damaged if shut-in. On written request from the operator the Commission may allow the overproduction charged against the well to be made up at a lesser rate of production instead of shutting-in the well. Statewide Rule 31 (i) (5) (B).

The reduced rate exception is granted with the understanding that the production from the well will be restricted each month until a specific date. Failure to comply with this exception will result in cancellation of the reduced rate authority, and the well will then be required to be shut-in until the overproduction is made up.

B. Cancellation of Reduced Rate Authority

When a reduced rate exception has been granted the well is monitored for compliance with the terms of that exception. When a well produces in excess of its permitted rate, the reduced rate authority is canceled, and the well must be shut-in until the overage is absorbed.

C. Exception to Natural Resources Code 86.090

An exception to Natural Resources Code 86.090 allows the operator to produce in excess of a well's underproduction plus twice its monthly allowable. This request may be granted twice during a 6-month balancing period, provided the well is not currently subject to a production violation. This request must be submitted to the Commission prior to submitting the production report (PR).

D. Certified Letter - Notice of Intent to Cancel P-4/and to Seal

When a violation of Railroad Commission rules and regulations occurs, the Commission notifies the operator about the violation and allows the operator time to respond to that notification. If there is no response and the violation is left unresolved, the Commission may send a certified letter. If the operator does not respond within thirty days a seal order is issued and the P-4 Certificate of Compliance is canceled.

E. Seal Order/Cancellation of P-4 Certificate of Compliance

When a seal order is issued for a violation of Railroad Commission rules and regulations, the P-4 Certificate of Compliance is also canceled. Under the provisions of Senate Bill 1103 which was signed into law June 15, 1991, the seal order cannot be lifted, and the Certificate of Compliance cannot be reissued until all violations are resolved and a \$750 fee is filed with the Commission. Upon receiving a seal order, operators are to immediately cease production. The district office is directed to place seals on the well.

F. Reissue of P-4/Rescind Seal Order

The Commission will reissue the P-4 Certificate of Compliance and rescind a seal order when all the violations for the well are resolved, and a \$750 fee has been filed.

Calculating Allowables According To Field Classification

Calculating individual well allowables varies from the simple procedure for non-prorated field wells to the complex procedure for prorated field wells.

Non-Prorated Fields

1. Non-Associated Exempt (Code NS) and Associated Exempt Fields (Code AS): Statewide Proration Exempt

These categories include fields with no wells having a deliverability, capability, or production rate greater than 250 Mcf/day. If a well has a deliverability or production rate exceeding 250 Mcf/day, it can only remain in the non-associated exempt category for a maximum of 60 days. After the 60 days the field will be automatically moved to the prorated category.

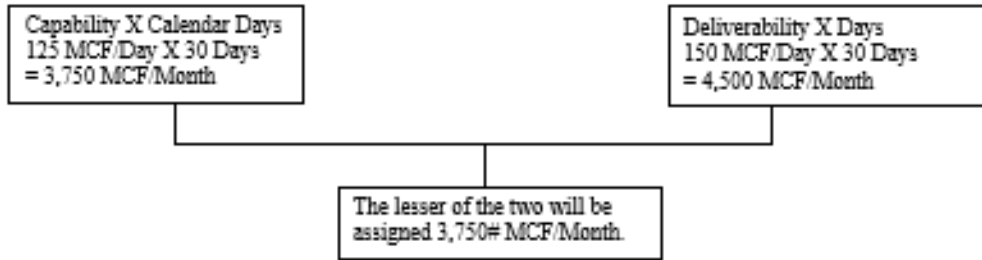
In Districts 7B, 09, and McCulloch County of 7C there are a number of County Regular fields. Any well in these fields with a deliverability or production rate exceeding 250 Mcf/day will have to be transferred to an existing field already under field rules or to a new field designation which will fall under Statewide Rule 31. Wells with a deliverability not exceeding 250 Mcf/day in a County Regular field remain in such a field as statewide exempt and no allowables in excess of 250 Mcf/day will be assigned.

Allowables for non-associated and associated exempt fields:

- a. The initial allowable is based on the lesser of the deliverability multiplied by the calendar days in the month or the capability times calendar days, with the latter receiving a # symbol.
 - b. If production exceeds the initial assigned allowable in an exempt field, the allowable will be revised up to production or 250 MCF/day, whichever is less.
2. Non-Associated 100% AOF (Code NF) and Associated 100% AOF Fields (Code AF): Allocation Formula Suspended
 - a. The initial allowable is based on the lesser of the deliverability multiplied by the calendar days in the month or the capability times calendar days. Either will receive an X code.
 - b. The allowable for any well with production exceeding the top allowable of deliverability times days will be adjusted to cover actual production.
3. Non-Associated One Well (Code NO) and Associated One Well Fields (Code AO)

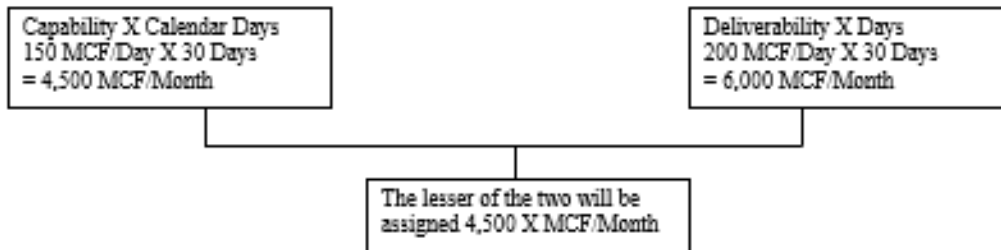
- a. The initial allowable is based on the lesser of the deliverability multiplied by the calendar days in the month or the capability times calendar days in the month, with the latter receiving a # symbol.
- b. The allowable for any well with production exceeding the Top Allowable of deliverability times days will be revised to cover actual production as long as the production report for the well is filed in a timely manner and the well is not in violation for producing without an allowable.

Example: Exempt Fields



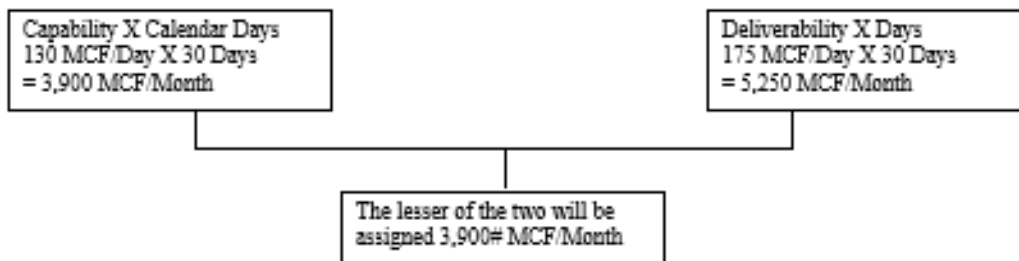
Note: If actual production exceeds the # allowable (3,750 MCF/month) the allowable can be adjusted up to, but not to exceed, 250 MCF/day.

Example: AOF Fields



Note: If production exceeds the initial assigned allowable, the allowable will be revised to production.

Example: One Well Fields



Note: If production exceeds the initial assigned allowable, the allowable will be revised to production.

4. Associated 49B Field (Code A)
 - a. The 49B daily rate is multiplied by calendar days. The result is then compared to the capability times calendar days. The lesser is assigned with the latter type receiving a # symbol (Example 3).

- b. If a well's production exceeds an allowable with a # symbol, the allowable will be adjusted upward until it reaches a maximum of the 49B calculation rate (Example 2).

Figure 1 (Calculation of 49B Allowable)

From G-1	From Oil Schedule	From G-1	From G-1 S&W For Reservoir	From Chart	From Deviation Factor Book	From Oil Schedule	From Oil Schedule	From Chart	Calculation	Calculation
GAS GRAVITY	OIL GRAVITY	AVG. RESER. PRESSURE P _r	AVG. RESER. TEMP. T _r	FORMA-TION VOLUME FACTOR B	DEVI-ATION FACTOR Z	TOP PERMS-SIBLE OIL WELL ALLOW. A	PERMS-SIBLE GAS/OIL RATIO r ₁	SOL. GAS/OIL RATIO r ₂	*	199.3P _r B T _r Z
										Allowable MCF Producing Day Q

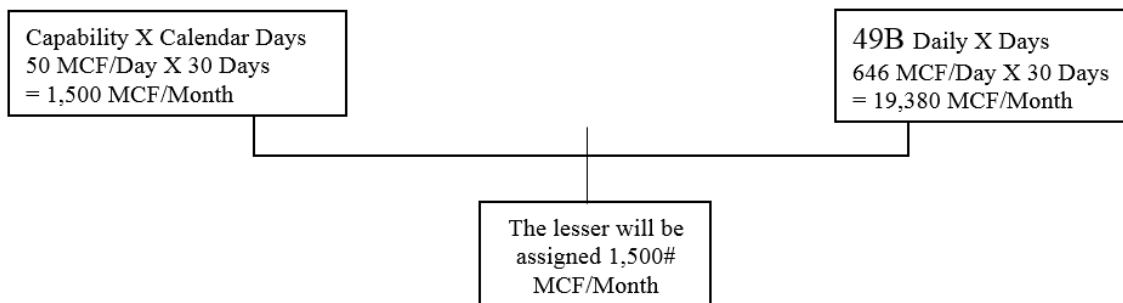
Example 1 (Calculation of 49B Allowable)

62	23	338	123°F 583°R	1.035	0.965	64	10,000	36	124	645.632
										646

$$Q = A \left(r_1 - r_2 + \frac{199.3 PrB}{TrZ} \right)$$

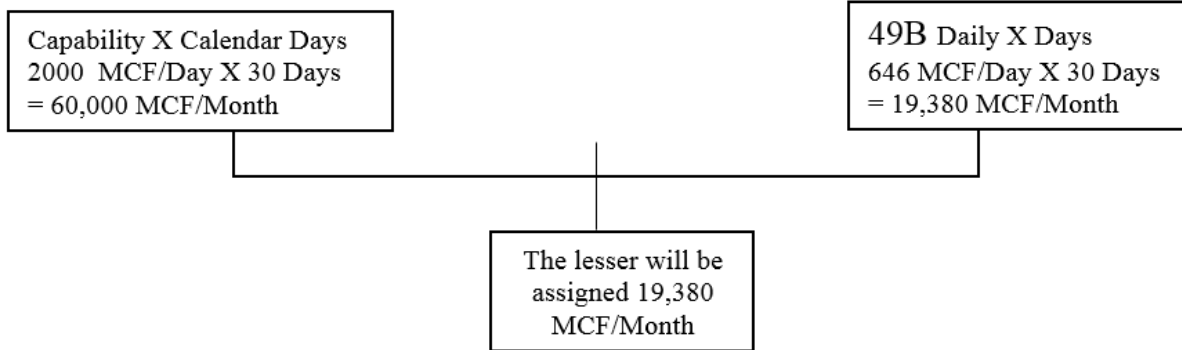
*This factor will vary as computer calculations take into account pressure and temperature constants, oil allowables, etc.

Example 2 (Comparison of 49B Daily Allowable with Capability)



Note: If actual production exceeds 1,500# MCF/month, the allowable can be adjusted upward to a maximum of the 49B Daily rate which in this example is 19,380 MCF.

Example 3 (Comparison of 49B Daily Allowable with Capability)



Note: There is no adjustment if an allowable is based on the 49B Daily rate.

Assignment of Allowables According to Type Field Effective February 1994 Schedule

TYPE WELL	FORMULA	ALLOWABLE CODE	ALLOWABLE REVISION	CARRIAGE OF UNDERAGE
NON-PRORATED - ONE WELL FIELDS				
1) Non-Special Wells	Assigned allowable is lesser of: A. Deliverability x calendar days B. Capability x calendar days	None (top) #	# allowable will be revised up to the reported production. If the revised allowable is < than the top, an R allowable code will be assigned. When production exceeds the calculated top and the well is in compliance, the production rate will be the new monthly top allowable.	Wells do not carry underage.
2) Administrative Specials SWR.31(k)(1)	Assigned allowable is lesser of: A. Deliverability x calendar days B. Capability x calendar days C. Special amount x calendar days	N N N	Allowable will be revised up to a 100 MCF per day.	Specials do not carry underage.
3) Hearing Specials	Assigned allowable is lesser of: A. Deliverability x calendar days B. Capability x calendar days C. Special amount x calendar days	S S S	Allowable will be revised up to the special amount.	Specials do not carry underage.
NON-PRORATED - EXEMPT FIELDS				
1) Non-Special Wells	Assigned allowable is lesser of: A. Deliverability x calendar days (cannot exceed 250 MCFD) B. Capability x calendar days	None (top) #	# allowable will be revised up to the reported production amount not to exceed the 250 MCFD allowable. If the revised allowable is < than the top an R allowable code will be assigned.	Wells do not carry underage.
2) Administrative Specials SWR.31(k)(1)	Same as non-prorated one well field	N	Allowable will be revised up to 100 MCF per day.	Specials do not carry underage.
3) Hearing Specials	Same as non-prorated one well field	S	Allowable will be revised up to the special amount.	Specials do not carry underage.

NON-PRORATED - CAPACITY 100% AOF FIELDS				
1) Non-Special Wells	Assigned allowable is lesser of: A. Deliverability x calendar days B. Capability x calendar days	X X	Allowable will be revised up to the reported production amount. If production is greater than the X amount it will be covered and assigned an X code when revised.	Wells do not carry underage.
2) Administrative Specials	Same as non-prorated one well field.	N	Allowable will be revised up to a 100 MCF per day.	Specials do not carry underage.
3) Hearing Specials	Same as non-prorated one well field.	S	Allowable will be revised up to the special amount	Specials do not carry underage.
NON-PRORATED - SALVAGE FIELDS				
1) Non-Special Wells	Assigned allowable is lesser of: A. Deliverability x calendar days B. Capability x calendar days	X X	Allowable will be revised up to the reported production amount. If production is greater than the X amount it will be covered and assigned an X code when revised.	Wells do not carry underage.
2) Administrative Specials	Same as non-prorated one well field.	N	Allowable will be revised up to a 100 MCF per day.	Specials do not carry underage.
3) Hearing Specials	Same as non-prorated one well field.	S	Allowable will be revised up to the special amount	Specials do not carry underage.

NON-PRORATED - 49B FIELDS				
1) Non-Special Wells	Assigned allowable is lesser of: a. 49B daily rate x calendar days B. Capability x calendar days	None (top) #	Allowable will be revised up to the reported production amount not to exceed the calculated top allowable. If the revised allowable is < than the top, an R allowable code will be assigned.	49B wells do not carry underage unless under regular balancing rules set by hearing.
2) Hearing Specials	Same as non-prorated one well field.	S	Allowable will be revised up to the special amount.	Specials do not carry underage.
NON-PRORATED - CYCLING FIELDS				
1) Cycling Wells	Assigned a 0 cycling allowable.	C	No revision of allowable.	Underage not applicable.
NON-PRORATED - LIQUID LIMIT FIELDS				
1) Liquid Limit Wells	Assigned a 0 cycling allowable.	C	No revision of allowable.	Underage not applicable.
NON-PRORATED - LIQUID LIMIT FIELDS				
1) Liquid Limit Wells	Assigned a 0 cycling allowable.	C	No revision of allowable.	Underage not applicable.
NON-PRORATED - LIQUID LIMIT FIELDS				
1) Producing Storage Wells	Assigned a 0X allowable.	X	Allowable will be revised up to the reported production amount.	Underage not applicable.
2) Other Storage Wells	Assigned a storage allowable.	Storage	Allowable revision - Not applicable.	Underage not applicable.

Prorated Fields: Non-Associated (Code NP) and Associated (Code AP)

The procedure for determining allowables in prorated fields is carried out under provisions of Statewide Rules 28 (revised effective September 1, 1986), 31 (revised effective January 10, 1994), and 34 (revised effective July 1, 1992). These rules supersede Special Order No. 20-68,382.

1. Overview of the Allowable Calculation Process for Prorated Fields

These fields have one or more wells with a deliverability of more than 250 MCF/day. The field allocation formula is automatically based on 100% deliverability. This does not ensure allowables equal to deliverability since adjustments are made based on forecasts, capability, and production history. If an operator desires a different type of field allocation formula it is the operator's responsibility to set the field for hearing.

Allowables for wells in prorated fields are calculated by determining the reservoir market demand for the field, then allocating that amount to the wells in the field.

This is done by:

- First, comparing each operator's
 - current market demand forecasts for the field for the upcoming month (see page K – 39).
 - current well capabilities for the field (see page K-41).

This process uses Commission calculated forecasts and well capabilities. The lesser of the forecast or total well capability for each operator in the field becomes the “adjusted reservoir market demand forecast”. This is done on the “Market Demand Summary” (A-Sheet Extract), an internal, preliminary allocation worksheet (see page K-47).

- Second, determining the total, aggregate monthly field allocation or “Total Reservoir Market Demand” based on data from the “Market Demand Summary” (A-Sheet Extract). This is done on the “Monthly Reservoir Market Demand Report” (A-Sheet), another internal allocation worksheet (see page K-48). On this report, the adjusted reservoir market demand from the A-Sheet extract is further adjusted by a forecast correction adjustment and a Commission adjustment to get the “Total Reservoir Market Demand” for the field.
- Third, presenting the Reservoir Market Demand calculations to the Commission at the Monthly Statewide hearing. At the hearing, the lawful reservoir market demand for the upcoming month is determined.
- Finally, distributing the total field or reservoir market demand among the individual wells according to the field allocation formula (see pages K-49 and K-50).

2. Details of the Allowable Calculation for Prorated Fields

a. **Form G-10 (Gas Well Status Report). Required by Statewide Rule 28 and used to report deliverability.**

- (1) Gas well deliverability tests must be accurate, that is, taken under normal operating conditions. The producer may file a G-10 retest form any time the producing characteristics of the well change.
- (2) The first purchaser, upon request to the operator, may witness deliverability tests.

- (3) G-10 surveys are to be returned to the Commission no later than the scheduled due date. Delinquent or incomplete G-10's will result in allowables being withheld.
- (4) The initial allowable of any prorated gas well may not exceed its capability, which is the lesser of the well's latest deliverability test (Form G-10) on file or the highest production of the most recent three months. For new wells less than six months old, the capability will be the well's latest deliverability test (Form G-10).

b. Operator Reservoir Market Demand Forecast (Page K-39-40) ref. Statewide Rule 31(d)(1)

- (1) The Commission determines a forecast for all wells in prorated fields that will be active during the allowable month, based on past production or well capacity.
- (2) The forecast for limited and prorated wells is equal to the well's production during the same allowable month in the prior year and for special allowable wells is equal to the well's production during the most recently reported production month. If the well had no reported production in that month, the forecast is equal to the well's capability unless the well had reported production during any of the three most recently reported production months; then the largest monthly production during those months is used instead.
- (3) The initial or ORIGINAL forecast is available at the RRC website approximately 2 months prior to the allowable month. This forecast is only an estimate and is not used by the Commission in further calculations of the reservoir market demand.
- (4) The Commission recalculates a final or REVISED forecast using more current production and well status information.
- (5) A well will receive a "0" forecast if the well is ineligible for an allowable in the allowable month or the PR for the current production cycle is delinquent.

c. Well Capability (Page K- 41-44) ref. Statewide Rule 31(e)(1) and (2)

- (1) No well will be assigned an initial allowable in excess of its capability.
- (2) The Commission calculates well capability for every gas well which is the lesser of the well's latest deliverability test (Form G-10) on file or the highest production of the most recent three months. For new wells less than six months old, the capability will be the well's latest deliverability test (Form G-10). For special allowable wells, the capability will be the lesser of the well's latest deliverability test (Form G-10) on file or the production from the most recent reported month.

- (3) An operator may submit a substitute capability determination for a well on the optional Form GC-1, which is due by the 10th of the month preceding the allowable month.
- (4) Substitute capability determinations (Form GC-1) become effective on the first day of the allowable month and remain in effect for six months. They will be used in lieu of the Commission calculated capability in the further determination of the reservoir market demand.

d. Market Demand Summary (A-Sheet Extract, Page K-47)

- (1) The Market Demand Summary is the preliminary worksheet used internally by the Commission to determine field allocations.
- (2) The extract lists the market demand forecast, well capabilities and production for each operator in the field.

e. Monthly Reservoir Market Demand Report (A-Sheet, Page K-48)

- (1) The Monthly Reservoir Market Demand Report is the final worksheet used internally by the Commission to determine total field allocations.
- (2) On this worksheet, a forecast correction adjustment, and other Commission adjustments are applied to the adjusted reservoir market demand forecast from the A-Sheet extract to get the total reservoir market demand.
- (3) The following is an explanation of each column.

Month/Year Column

This is the month and year for which the market demand calculations are applicable.

Column 1 (Adjusted Reservoir Market Demand Forecast)

Column 7 from the Market Demand Summary is posted in Column 1. That amount will not exceed total capabilities for the field. The forecast volume is in MCF/month.

Column 2 (Forecast Correction Adjustment)

This is the difference between current month production and the total adjusted reservoir market demand forecast for the production month, plus the supplemental change for that month and the Commission adjustment for that month minus production from all special and administrative special wells minus allowable assigned to those special wells for that month.

Column 3 (Total Supplemental Change Adjustment 3rd Month Previous)

Any adjustment to allowables issued for the production month is recorded. This will include raising limited allowable wells (non-prorated wells with # or @ symbols) due to production in excess of allowable or to absorb prior overage. Also, any new well, delinquent G-10 test well, or incomplete G-10 test well will be accounted for when the allowable is assigned. Any well that had an allowable assigned in the third month previous which was worked over to another gas field or oil field, was plugged and abandoned or shut-in will also be reflected in this column. This column may also include any other Commission approved staff adjustment necessary to adjust the forecast correction adjustment.

Column 4 (Total Production 3rd Month Previous)

The total reported production from the third month previous is posted in Column 4. This is the earliest date complete production is available and explains why we initially assign three months allowable to a reservoir before allowing production history to have an influence on current market demand. Production is reported on Form PR (Producer's Monthly Report of Gas Wells).

Column 5 (Calculated Reservoir Market Demand)

As shown by the math formula, columns 1 + 2 = Column 5. This is the initial calculated reservoir market demand subtotaled prior to the addition of a Commission adjustment.

Column 6 (Commission Adjustment)

This is any adjustment approved by the Commission at the monthly statewide hearing.

Column 7 (Total Reservoir Market Demand)

This is the final total reservoir market demand for the field, as shown by the math formula, columns 1 + 2 + 6 = Column 7.

f. Distribution of the Field or Reservoir Allocation to Individual Wells (Pages K-49-52)

The distribution of allowables on a per well basis is computer generated in accordance with the allocation formula for the field.

- (1) Once the field allocation has been calculated through the market demand process, allowables for individual prorated wells in the fields must be determined.
- (2) The field's allocation formula is used to determine the allowable for each well in the field.

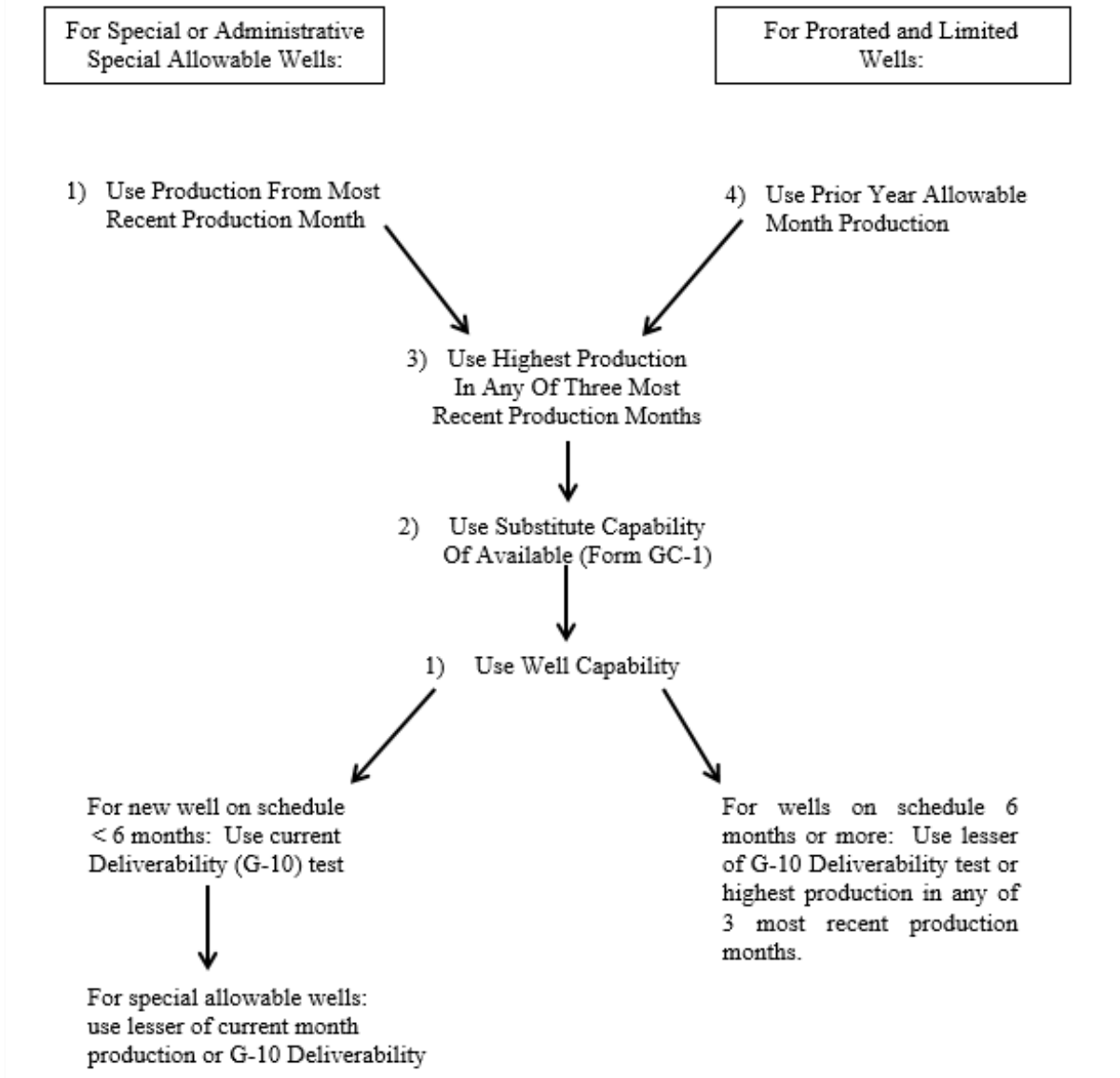
Priorities for Takes

Type of Gas	Priority Category
Casinghead Gas and Gas Well Gas from Tertiary and Secondary Recovery Projects	1
Gas Well Gas: Special Allowable Assigned after Notice and Hearing (Schedule Code S)	2
Casinghead Gas: Other Than Priority 1	3
Gas Well Gas: 49B (one time base unit)	4
Gas Well Gas: Special Allowable Assigned Administratively (Schedule Code N)	5
Gas Well Gas: Remainder, including 49B over one time base unit (multiple)	6

Market Demand Determination Process

- Publish Operators' Market Demand Forecast
(2 months prior to allowable month)
This forecast is informational only—not used in calculation of market demand.
- Operators May Submit Substitute Capability – Form GC-1
(due by 10th of month preceding allowable month)
- A-Sheet Extract Printed for Every Prorated Field
(Approximately 2 weeks prior to allowable month)
Each operator's market demand forecast is compared to well capability and lesser of two is totaled to get the adjusted reservoir market demand forecast.
- A-Sheet Worked for Every Prorated Field
(Approximately 2 weeks prior to allowable month)
The adjusted reservoir market demand (from A-Sheet Extract) is further adjusted by forecast correction adjustment, and a commission adjustment to calculate the reservoir market demand.
- Statewide Hearing- Commission Determines The Lawful Market Demand
(on or before the last day of month preceding allowable month)
The Commission reviews the A-Sheet calculations and may make further Commission adjustments in determining the lawful reservoir market demand for every prorated field.
- Prorated Reservoir Allowables are Determined – Published on Monthly Proration Schedule
(approximately 5-10 days prior to allowable month)

HOW THE COMMISSION DETERMINES OPERATOR RESERVOIR MARKET DEMAND FORECAST



*Note: If "0" production or delinquent PR past 3 months, capability will be "0".

When the Commission forecasts the market demand, it does so according to the steps outlined above. The producing wells in prorated fields are categorized as either special allowable wells or prorated/limited wells. Within each category the forecast is determined by going to step 1. If "0" or no production was found, it defaults to step 2, then continues to default to the steps below that, if necessary.

Monthly Schedule for Operator (Operator's Stripout)
OIL AND GAS PRORATION SCHEDULE BY OPERATOR MAY 1994

K. STEWART PETROLEUM CORPORATION 1300 NORTH HARVEY, STE, 101 OKLAHOMA CITY OK 73103	STATUS DATE 3/01/94 UPDATE THRU 4/24/94 DAYS 31 FACTOR 100
-------------------------------------------------------------------------------------------	------------------------------------------------------------------

GAS - WELLS

DIST	FIELD NAME	ID.	LEASE NAME	WELL	MO.	MCF	STATUS	

10	APACHE (MORROW LOWER)		FLD No. 03230250					
	248,553 RESERVOIR MARKET DEMAND FOR MAY 1994							
	206.8203125 100% ACRES FACTOR							
	248,811 RESERVOIR MARKET DEMAND FORECAST FOR JULY 1994							
	78,496 OPERATOR MARKET DEMAND FORECAST FOR JULY 1994							
			139420 MEIER, RUSSELL		1		98983#	
			139999 DESLEY			1991	OW	
10	HORSE CREEK, NW (MORROW LO)		FLD No. 42682500					
	113,429 RESERVOIR MARKET DEMAND FOR MAY 1994							
	272,5785714 100% ACRES FACTOR							

Actual Market Demand for entire field for May '94.

Allocation Formula and Factor. Factor amount based on May '94' Market Demand.

Estimated Market Demand Forecast for entire field for July '94. Includes other operators wells in the field.

Special Allowable In Accordance with Statewide Rule 31(k)(2)

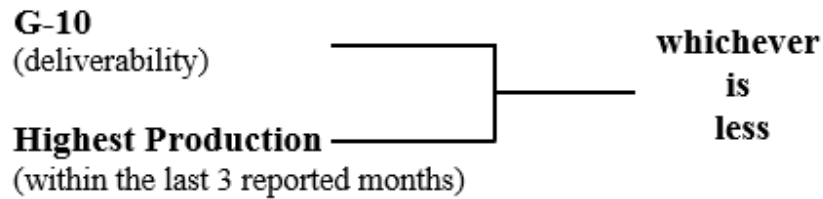
Operator's portion of the estimated market demand for the field for July '94. The Commission will recalculate this forecast 2 weeks prior to allowable month using more current data. Operator may submit optional forecast on Form MD-1 as an alternative.

The Commission calculates an operator reservoir market demand forecast twice using the same process.

The initial or ORIGINAL forecast is available 2 months prior to the allowable month on the monthly stripout available at RRC website. This forecast is only an estimate and will not be used in further calculations of the reservoir market demand.

The final or REVISED forecast is calculated approximately 2 weeks prior to the allowable month using more recent production and well status data. The revised forecast is not published to operators, but it will be used in the further calculation of the reservoir market demand.

HOW THE COMMISSION DETERMINES WELL CAPABILITY



For Hearing Specials and Administrative Specials:

Capability = lesser of G-10 and most recent month of production

For new wells < 6 months in a reservoir: Capability = G-10

Option:

Substitute Capability

Form GC-1 (Effective for six months capability = GC-1)

Substitute Capability

Form GC-1

(ref. Statewide Rule 31 (e)(2))

Statewide Rule 31 (e)(2) allows an operator to submit a substitute capability determination for a well which may be used in lieu of the Commission-calculated capability. Substitute capability determinations are to be filed on the Form GC-1 by the 10th of the month preceding the month in which it is to become effective, and they will remain in effect for 6 months. It should be filed in accordance with Statewide Rule 31 (e)(2) which reads as follows:

- (2) An operator may submit a substitute capability determination for a well that represents the maximum monthly production capability for the well under normal operating conditions for a specific six-month period.
 - (A) The determination may be made on the basis of a well test or other acceptable information by a registered professional engineer who certifies that the determination was made by the engineer or under the supervision of the engineer, and that the capability has been determined in accordance with generally accepted engineering practices. Alternatively, the substitute capability determination may be made by an independent tester on the basis of a well test conducted in accordance with 3.28(c) of this title (relating to Potential and Deliverability of Gas Wells to be Ascertained and Reported) (Statewide Rule 28). The request for a substitute capability must be submitted on the appropriate form.
 - (B) The Commission or a Commission designee may reject any substitute capability determination for good cause.
 - (C) The capability determined pursuant to this paragraph shall be used as the well's capability for a period of six months from the effective date of the determination unless:
 - i. the operator files a written request that the substitute capability determination be cancelled. If such a request is submitted, the substitute capability may be cancelled by the commission or commission designee, or
 - ii. an affected person files a protest alleging, with specificity, the inaccuracy or invalidity of the determination. If a protest is filed, the commission may set the matter for hearing. A protested substitute capability determination shall be effective on the intended effective date.

**GAS WELL
CAPABILITY**

GC-1

May 1992

READ INSTRUCTIONS ON BACK

1. OPERATOR NAME exactly as on P-5, Organization Report	2. P-5 OPER. NO.	3. RRC DISTRICT NO.
4. ADDRESS including city, state, and zip code	5. COUNTY	
	6. FIELD NAME as shown on RRC Proration Schedule	
7. LEASE NAME as shown on RRC Proration Schedule	8. RRC GAS ID NO.	9. WELL NO.
10. DAILY CAPABILITY VOLUME (MCF per day)	11. DATE OF DETERMINATION	
12. METHOD OF DETERMINATION (See Instructions)		
<input type="checkbox"/> Well test <input type="checkbox"/> Other (specify)		
13. Complete ONE of the following, as appropriate <i>Seal</i> <input type="checkbox"/> Registered Professional Engineer. I certify that this daily capability volume was determined by me or someone under my supervision and in accordance with generally accepted engineering practices. Signature _____ Name (print or type) _____ Company _____ Phone (____) _____ Texas Registration Number _____		
<input type="checkbox"/> Independent Well Tester. I certify that this daily capability volume was determined by me or someone under my supervision and in accordance with Statewide Rule 28(c), G-10 testing procedures. Signature _____ Name (print or type) _____ Company _____ Phone (____) _____		
OPERATOR CERTIFICATION. I declare under penalties prescribed in Texas Natural Resources Code, §91.143, 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.		RRC USE ONLY
Signature _____ Title _____ Name (print or type) _____ Phone (____) _____ Date _____		Effective Date _____ by: _____ date: _____

Instructions

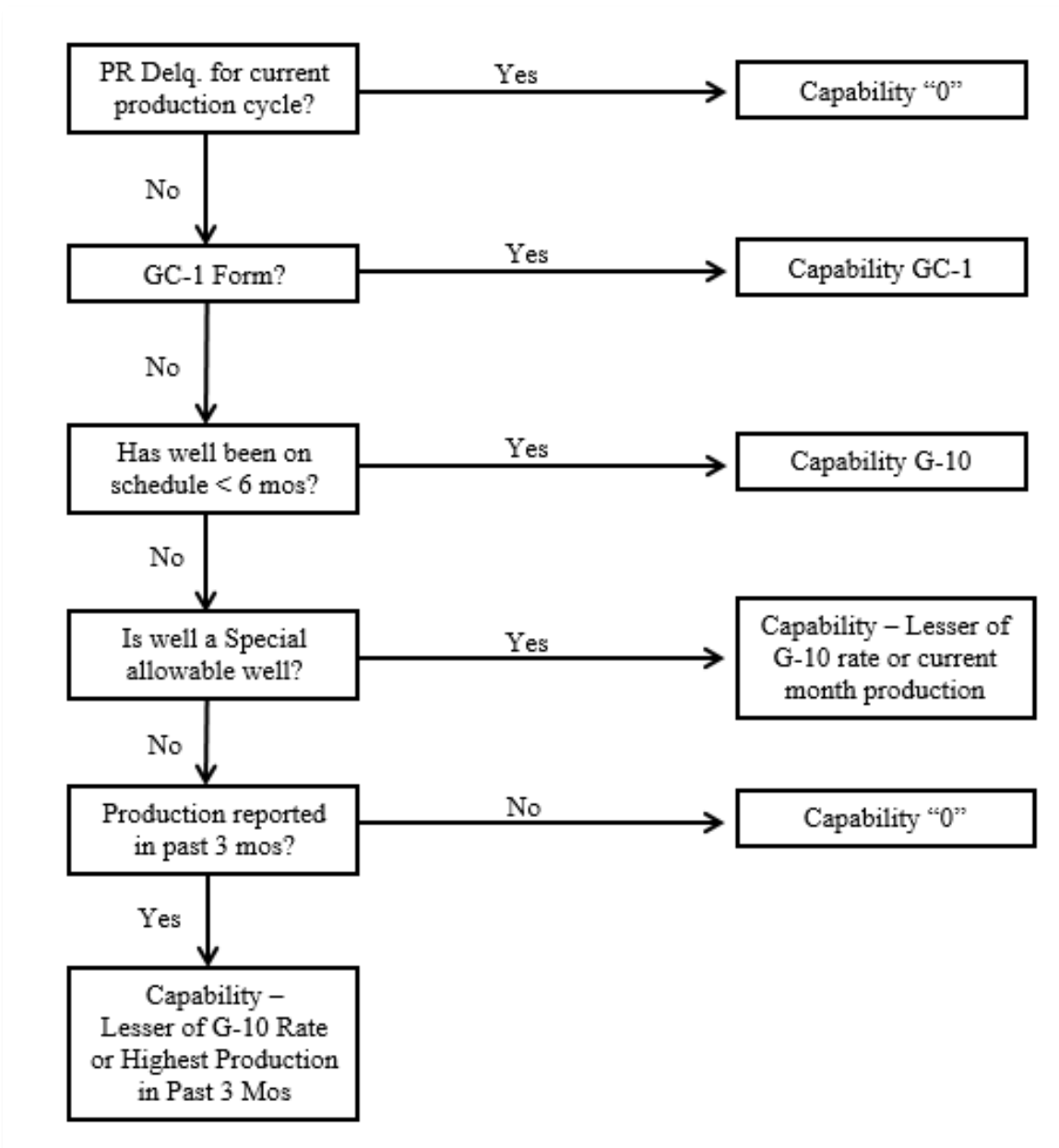
Form GC-1: Gas Well Capability

Reference: Statewide 31(e)(2)

Who Files	The operator listed on the most current Commission-approved P-4, <i>Producer's Transportation Authority and Certificate of Compliance</i> , may submit a substitute capability determination for a gas well. If accepted, the capability will be used for a six-month period beginning the effective date of the determination.	
Where to File	Submit the Form GC-1 and appropriate attachments to:	Railroad Commission of Texas Oil and Gas Division/Production Allocation P.O. Box 12967 Austin, Texas 78711-2967
Effective Date	Substitute capability determinations become effective on the first day of a month. The Form GC-1 must be received by the Commission in Austin by the 10th of the month to ensure implementation the first of the following month.	
Capability Determination	<p>Test. The substitute capability determination for a gas well may be determined by a well test conducted by a professional engineer registered in Texas or by an independent well tester. The test must be conducted in accordance with procedures outlined in Statewide Rule 28(c), <i>Potential and Deliverability of Gas Wells to be Ascertained and Reported</i>. Attach the following test data to the Form GC-1: date of test; producing rates for gas, condensate, and water; shut-in and flowing pressures; gas gravity; and condensate gravity. This supporting data may be submitted on a Form G-10, <i>Gas Well Status Report</i>.</p> <p>Other Method. A well capability determined by a method other than a well test may be submitted. This determination must be made by a professional engineer registered in Texas and in accordance with generally accepted engineering practices. All supporting data used for this determination must be attached.</p>	

A-Sheet Extract How the Commission Determines Adjusted Market Demand Forecast

A. Determines operator's well capability.



B. Total operator's well capability.

C. Compare operator's well capability to Operator Reservoir Market Demand Forecast.

D. Sum the operator's adjusted forecasts to get the "Adjusted Reservoir Market Demand Forecast"

A-Sheet Extract Summary By Operator		TEXAS RAILROAD COMMISSION OIL & GAS DIVISION MARKET DEMAND SUMMARY BY OPERATOR FOR MAY 1994										District: 06 County: Houston	
Field XYZ Field No: 87270-500													
1) Operator Name	2) Original Operator Reservoir Market Demand Forecast	3) Optional Operator Forecast	4) Revised Operator Res. Market Demand Forecast	5) Operator's Well Capability								6) Production 3rd Month Previous	7) Adjusted Reservoir Market Demand Forecast
				Total Capability	Total Wells	Highest 3mths Prod.	# Wells	G-10 Wells	# Wells	GC-1 Wells	# Wells		
Exxon	300	500	600	400 / 3	150 / 1	50 / 1	200 / 1	- / -	- / -	- / -	300	400	
Gurther	150	100	200	200 / 5	100 / 3	100 / 2	- / -	- / -	- / -	- / -	200	100	
Howard Gas	600	-	500	700 / 9	200 / 4	200 / 2	300 / 3	- / -	- / -	- / -	600	500	
Jones, J.	500	600	-0-	-0- / 2	- / -	-0- / -	- / -	-0- / -	- / -	2	Delq. P-2	-0-	
Totals	1550	1200	1300	1300 / 19	450 / 8	350 / 5	500 / 4	500 / 4	2	1100	1000		

Column 1 on A-Sheet

Adjusted Reservoir Market Demand (Col. 7) = the lesser of Col. 5 Total and Column 3 Total (if available) or Column 5 Total and Column 4 Total (if Col. 3 is not available).

A-Sheet		TEXAS RAILROAD COMMISSION OIL & GAS DIVISION MONTHLY RESERVOIR MARKET DEMAND REPORT MAY 1994						District: 06 County: Houston	
Field XYZ Field Field No: 87270-500		Allocation Formula: 100% Acres							
	1	2	3	4	5	6	7		
Month Year	Adjusted Reservoir Market Demand Forecast	Forecast Correction Adjustment	Supplemental Change Adjustment 3rd Month Previous	Total Production 3rd Month Previous	Calculated Reservoir Market Demand	Commission Adjustment	Total Reservoir Market Demand		
February 1994	1000	-0-	+100	800	1000	+100	1100		
March 1994	1050	-0-	+50	950	1050	-0-	1050		
April 1994	1025	-0-	-0-	1000	1025	-0-	1025		
May 1994	1000	-200	+200	1100	800	-0-	800		

Col. 7 on Market Demand
Summary by Operator

May May Feb May Feb
 Col. 2 = Col. 4 - (Col. 1 + Col. 3 + Col. 6) - spec. allow. underage

 Example: -200 = 1100 - (1000 + 200 + 100) - 0

Total Reservoir Capability
May '94 - 1300

Special Allowable Underage = 0

Forecast Correction Adjustment (Col. 2) =
(current mo. Col. 4) - 3rd mo. prev. Col. 1 + current mo. Col. 3 + 3rd mo. prev. Col. 6) - Special Allowable Underage (based on current production month).

Calculated Reservoir Market Demand (Col. 5) = (current mo. Col. 1) + (current mo. Col. 2)

Total Reservoir Market Demand (Col. 7) = (current mo. Col. 1) + (current mo. Col. 2) + (current mo. Col. 6)

SEPTEMBER

EXAMPLE

HENDERSON, NORTH (RODESSA)
 ALLOCATION FORMULA: 100% % DELIVERABILITY
 DELIVERABILITY FACTOR: 3.6520353
 FIELD ALLOWABLE: 14877 (FROM COLUMN 7 OF Monthly Reservoir Market Demand Summary)
 ASSIGNED ALLOWABLE: 14877

IDENT	LEASE NAME	WELL	DEL:	HIGHEST PAST	CAPABILITY	GAS ALLOWABLE	
				PRODUCTION (3 MONTHS OR 1 MONTH)		MONTHLY MCF:	
AMOCO:							
100696	ROGERS	2	2825	480	480	First (9680)	Second 10317
WILSON RESOURCES, INC.:							
113284	DEAN	1A	1517	152	152	(5198)	4560#

PROCEDURE USED TO ASSIGN PER WELL ALLOWABLES:

-STEP I

- 1ST TAKE TOTAL FIELD ALLOWABLE 14877
 & TOTAL DELIVERABILITY 4342 TO $14877 \div 4342 = 3.4263012$ (1ST DEL. FACTOR)
 ARRIVE AT 1ST FACTOR

-STEP II

- FACTOR X DEL = ALLOWABLE

I.D. 100696 – TOP = 9680	I.D. 113284 – TOP = 5198
Capability = 14400	Capability = 4560
ASSIGN = 9680	ASSIGN = 4560#

-STEP III

- TAKE TOTAL FIELD ALLOWABLE 14877
 AND SUBTRACT LIMITED ALLOWABLE - 4560
 $10317 \div 2825 = 3.6520353$ (2ND AND FINAL FACTOR)

I.D. 100696 – APPLY

- TOP = 10317

Capability = 14400

ASSIGN = 10317

EXAMPLE OF HOW ALLOWABLES ARE DISTRIBUTED TO INDIVIDUAL WELLS IN A FIELD

NOTE: If a GC-1 form is filed in field with this type of allocation formula, the Form GC-1 capability will be used in place of deliverability.

SEPTEMBER

EXAMPLE

ALTO (TRAVIS PEAK) FIELD
 ALLOCATION FORMULA: 100% ACREAGE
 DELIVERABILITY FACTOR: 87.0950000
 FIELD ALLOWABLE: 30739 (FROM COLUMN 7 OF Monthly Reservoir Market Demand Report)
 ASSIGNED ALLOWABLE: 30739

IDENT	LEASE NAME	WELL	ACRGE:	DEL:	Capability	HIGHEST PAST PRODUCTION (3 MONTHS OR 1 MONTH)	GAS ALLOWABLE MONTHLY MCP:		
							First	Second	
HERD PRODUCING CO., INC.									
67689	SUMMERS	1	687.815	50	49*	49	(5768)	1470N	
72333	KEMPER	1	679.305	150	91* K2	91	(5696)	2730N	
75961	TOLIVER	1	200.000*	605	600	600	(1677)	17419	
86846	WILLIAMS	1	690.580	82	82*	103	(5791)	2460#	
104000	SINGLETARY	1	704.000	776	150*	150	(5903)	4500#	
MINERAL DEVELOPMENT, INC.									
111889	BOYD	1	704.000	72	72*	110	(5903)	2160#	
TOTAL ACREAGE			3665.700						

*DENOTES RATE USED IN ALLOWABLE CALCULATION.

PROCEDURE USED TO ASSIGN PER WELL ALLOWABLES:

-STEP I

- 1ST TAKE TOTAL FIELD ALLOWABLE 30739
 & TOTAL ACREAGE 3665.700
 TO ARRIVE AT 1ST FACTOR $30739 \div 3665.700 = 8.3855744$ (1ST ACREAGE FACTOR)

-STEP II

- APPLY 1ST ACREAGE FACTOR TO EVERY WELL IN THE FIELD.

-STEP III

- THEN SUBTRACT OUT ALL LIMITED ALLOWABLES AND ACREAGE ASSIGNED TO EACH WELL FROM THE TOTAL RESERVOIR ALLOWABLE AND TOTAL ACREAGE.

A. TAKE FIELD ALLOWABLE	30739
SUBTRACT LIMITED ALLOWABLE	<u>-13320</u>
(1470 + 2730 + 2460 + 4500 + 2160 = 13320)	17419
 B. TAKE TOTAL ACREAGE	 3665.7
SUBTRACT LIMITED ALLOWABLE	<u>-3465.7</u>
(687.815 + 679.305 + 690.580 + 704 + 704 = 3465.7)	200.0

-STEP IV

- THEN TAKE REMAINING FIELD ALLOWABLE AND REMAINING ACREAGE AND RECALCULATE FACTOR. APPLY TO EACH REMAINING WELL IN THE FIELD NOT PREVIOUSLY ASSIGNED AN ALLOWABLE (#, N) UNTIL ALL RESERVOIR ALLOWABLE HAS BEEN ASSIGNED AND A FINAL FACTOR IS REACHED.

A. THEN TAKE REMAINING FIELD ALLOWABLE 17419
 AND REMAINING ACREAGE 200
 $17419 \div 200 = 87.095000$ (2ND AND FINAL ACREAGE FACTOR)

EXAMPLE OF HOW ALLOWABLES ARE DISTRIBUTED TO INDIVIDUAL WELLS IN A FIELD

TYPE WELL	FORMULA	ALLOWABLE CODE	ALLOWABLE REVISION	CARRIAGE OF UNDERAGE
PRORATED FIELDS				
1) Hearing Specials	Assigned allowable is lesser of: A. Top allowable based on factor B. Capability x calendar days C. Special amount x calendar days	S S S	Allowable will be revised up to the special amount.	Specials do not carry underage.
2) Administrative Specials	Assigned allowable is lesser of: A. Top allowable based on factor B. Capability x calendar days C. Special amount x calendar days (for SWR(k)(1) wells).	N N N	Special will be revised up to a 100 MCF per day or 250 MCF per day in fields without special field rules for SWR 31 (k)(1) wells. Special will be revised up to top allowable based on factor for SWR 31 (k)(2) wells.	Specials do not accumulate additional underage, but will carry underage prior to becoming a special
3) Calculations using a One Month Review on Capability *Compare G-10 to most recent reported production and lesser of this comparison is the capability. * All wells are subject to this one month capability review.	Assigned allowable is lesser of: A. Top allowable based on factor B. Capability x calendar days	None (top) #	# Allowables will be revised up to the reported production amount less any prior underage, not to exceed the top allowable calculated by factors. If the revised allowable is < than the top allowable, an R allowable code will be assigned.	All wells will carry underage = to the difference between production and assigned allowables except any type of special allowables.
4) All Other Wells in Prorated Fields	Assigned allowable is lesser of: A. Top allowable based on factor B. Capability x calendar days	None (top) #	# allowables will be revised up to the reported production amount less any prior underage, not to exceed the top allowable calculated by factor. If the revised allowable is < than the top allowable, an R allowable code will be assigned.	All wells will carry underage = to the difference between production and assigned allowable except any type of special allowables.

100% AOF Fields (SWR 31 (j))

The allocation formula and balancing rule for a field can be administratively suspended if:

- (A) each operator from that field has a market for 100% of the deliverability, as determined by the deliverability tests on file with the Commission, for its respective wells; and
- (B) all operators in the field consent to suspension of the formula.

To suspend the allocation formula, the requesting operator must file Form AOF-1 and all active operators in the field must file Form AOF-2.

Any operator in an AOF field may request that the allocation formula be reinstated by filing a Form AOF-3.

**FIELD Application for
 AOF STATUS**
 (Cover Sheet)

AOF-1
 10/95

READ INSTRUCTIONS ON BACK — ATTACH AOF-2 FORMS FROM OPERATORS OF FIELD'S ACTIVE GAS WELLS

1. Name of operator initiating field request	2. P-5 operator no.	3. Application date	4. RRC dist. no.
5. Address of initiating operator		6. Field Name	
		7. Field Number	

A. Operators Filing Form AOF-2. Generally, for a field application to be considered administratively, each operator of active gas wells in the field must respond by submitting to the initiating operator an AOF-2 certifying there is market demand for 100% of the operator's wells' production capacity

8. Number of operators with active gas wells in the field	9. Number of AOF-2 forms attached	10. Name(s) of any operator(s) you were unable to locate (attach continuation sheet if necessary)
11. a. Did all located operators submit a Form AOF-2 ?		b. If NO , name, address, and reason (if known) of those located operators not submitting Form AOF-2 to the initiating operator (attach continuation sheet if necessary)
<input type="checkbox"/> YES <input type="checkbox"/> NO		

B. Application Consideration. Indicate the process requested for this application.

Administrative:

100% of operators of active gas wells in the field responded, certifying demand for 100% of production capacity.

Request for Hearing:

Less than 100% of operators of active gas wells in the field responded, certifying demand for 100 % of production capacity.

(Initiating Operator) Signature _____ Name (print) _____ Phone _____
 Title _____ Contact if different _____ Phone _____

INSTRUCTIONS

Form AOF-1: Field Application for AOF Status (Cover Sheet)

Reference: Statewide
Rule 31(j)

Who Files the AOF-1	In order for a gas field to change from a prorated status to an absolute open flow (AOF) status, an application must be made by all operators of active gas wells in the field. One operator, the "initiating operator," requests the other operators to complete a Form AOF-2, <i>Individual Operator Application for AOF Status</i> , returning it to the initiating operator. The initiating operator will complete a Form AOF-1, <i>Field Application for AOF Status (Cover Sheet)</i> , attach all AOF-2 forms, and submit the application package to the Railroad Commission at the address on the front of the form. Any operator of an active gas well in the field who does not wish to consent to the field changing to AOF may signify that by not submitting the AOF-2 application form to the initiating operator.
"Active" Gas Well	An active gas well is one that is assigned an allowable or that has reported production within the past three months. Excluded wells include storage wells, injection wells, and other types of service wells.
What is Required for an AOF Status	For the AOF status application to be considered administratively, each operator of active gas wells in the field must submit an AOF-2 to the initiating operator, who forwards the applications to the Commission. Otherwise, the initiating operator may request a hearing. There must be certified market demand for 100 percent of the production capacity of all active gas wells in the field. Production capacity is determined by the G-10 deliverability test conducted under normal operating conditions and in accordance with Statewide Rule 28(c).
Notice of Decision	All operators in the field will be informed as to the status determination. Notice will be sent in the event a hearing is scheduled.
Notice of Change	If a field is granted AOF status, each operator of an active gas well is responsible for informing the Commission within 14 days of any of the following events taking place: (1) there is no longer demand for 100 percent of production capacity of the operator's wells; (2) there is a voluntary curtailment below capacity (other than for normal operation activities such as maintenance); or, (3) there is notice of curtailment of market demand from a purchaser and no alternatives are found that would ensure continuation of demand for 100 percent of production capacity. At any time, an operator in an AOF field may request a return to proration. The Form AOF-3, <i>Operator's Review of AOF Status</i> , is used for any of the above.
Annual Review of AOF Status	Every March, each operator of active gas wells in the AOF-status field will be mailed a Railroad Commission computer-generated Form AOF-3, <i>Operator's Review of AOF Status</i> . The review period covers the most recent production months (up to twelve) of the preceding year in which the field continuously held AOF status. The review form can be used either to certify that the operator's wells are still eligible (demand for 100 percent of capacity was maintained over the preceding review period and continues) or to request that the field be returned to proration. In addition, the Commission will identify any months during the review period in which the operator's gas production in the field fluctuated 20 percent or more with increased production. When this occurs, the operator must supply adequate documentation explaining the fluctuation for the field's AOF status to remain. Failure by any operator of active gas wells to return the annual AOF-3 review may result in the field being returned to proration; one exception is if <i>all</i> of an operator's active gas wells in the field have a capability of 100 mcf (thousand cubic feet) or less a day per well and the operator wishes the field to remain AOF, that operator is not required to return a completed AOF-3 form in order for the field to remain AOF.

INDIVIDUAL OPERATOR
 Application for
 AOF STATUS

AOF-2
 10/95

READ INSTRUCTIONS ON BACK

1. Operator name	2. P-5 operator no.	3. Date AOF-2 filed	4. RRC dist. no.
4. Operator address including city, state, and zip code	5. Field Name		
	6. Field Number		

AOF Status

- A.** For a field to be changed administratively by Commission staff from a prorated status to an AOF (absolute open flow) status, each and every operator with active gas wells in the field must file a Form AOF-2 certifying that there is market demand for 100 percent of the production capacity of that operator's active wells. Otherwise, a hearing may be requested for consideration of the application for AOF status for the field. Any operator of an active gas well in the field who does not wish to consent to the field changing to AOF may signify that by not submitting the AOF-2 application form to the initiating operator.
- B.** An application for AOF field status is initiated by an operator in a field who requests all operators of active gas wells in the field complete a Form AOF-2. These are submitted to the operator initiating the field application who then completes an AOF-1, *Field Application for AOF Status (Cover Sheet)*, attaches all of the AOF-2 forms (including one from the initiating operator), and submits the field application package to the Railroad Commission. All operators in the field will be notified by the Commission whether the status remains prorated or is changed to AOF.
- C.** For a field to remain in an AOF status, each active gas well must continue to produce at full capacity.

Certification

I declare, subject to the false-filing penalties ("...imprisonment in the state penitentiary for not less than two years but not more than five years or by a fine of not more than \$10,000 or by both") prescribed in TNRC Sec. 91.143, that I am authorized to make this request, that it 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. I further declare that:

- A.** there is market demand for 100 percent of the production capacity of the active gas wells in the field under the operation of the organization named in no. 1 above, and that they can be continuously produced at the deliverability determined in accordance with Statewide Rule 28(c).
- B.** the Railroad Commission will be notified within 14 days of their occurrence if any of the following take place:
1. loss of 100 percent market demand,
 2. production is voluntarily curtailed (other than for normal operation activities such as maintenance), and/or
 3. notice of curtailment of market demand from a purchaser and no alternatives are found that would ensure continuation of demand for 100 percent of production capacity.

signature _____ name (print) _____ phone _____
 title _____ contact (if different) _____ phone _____

INSTRUCTIONS

Form AOF-2: Individual Operator Application for AOF Status

Reference: Statewide
Rule 31(j)

Who Files the AOF-2	For a gas field to change from a prorated status to an absolute open flow (AOF) status, an application must be made by all operators of active gas wells in the field. One operator, the "initiating operator," requests each of the other operators of active gas wells in the field to complete a Form AOF-2, returning it to the initiating operator. The initiating operator will complete a Form AOF-1, <i>Field Application for AOF Status (Cover Sheet)</i> , attach all AOF-2 forms (including one from the initiating operator), and submit the application package to the Railroad Commission in Austin. Any operator of an active gas well in the field who does not wish to consent to the field changing to AOF may signify that by not submitting the AOF-2 application form to the initiating operator.
"Active" Gas Well	An active gas well is one that is assigned an allowable or that has reported production within the past three months. Excluded wells include storage wells, injection wells, or other types of service wells.
What is Required for an AOF Status	For the AOF status application to be considered administratively, each operator of active gas wells in the field must submit an AOF-2 to the initiating operator who forwards the applications to the Commission. Otherwise, the initiating operator may request a hearing. There must be certified market demand for 100 percent of the production capacity of all active gas wells in the field. Production capacity is determined by the G-10 deliverability test conducted under normal operating conditions and in accordance with Statewide Rule 28(c).
Notice of Decision	All operators in the field will be informed as to the status determination. Notice will be sent in the event a hearing is scheduled.
Notice of Change	If a field is granted AOF status, each operator of an active gas well is responsible for informing the Commission within 14 days of any of the following events taking place: (1) there is no longer demand for 100 percent of production capacity of the operator's wells; (2) there is a voluntary curtailment below capacity (other than for normal operation activities such as maintenance); or, (3) there is notice of curtailment of market demand from a purchaser and no alternatives are found that would ensure continuation of demand for 100 percent of production capacity. At any time, an operator in an AOF field may request a return of the field to proration. The Form AOF-3, <i>Operator's Review of AOF Status</i> , is used for any of the above.
Annual Review of AOF Status	Every March, each operator of active gas wells in the AOF-status field will be mailed a Railroad Commission computer-generated Form AOF-3, <i>Operator's Review of AOF Status</i> . The review period covers the most recent production months (up to twelve) during the preceding year in which the field continuously held AOF status. The review form can be used either to certify that the operator's wells are still eligible (demand for 100 percent of capacity was maintained over the preceding review period and continues) or to request that the field be returned to proration. In addition, the Commission will identify any months during the review period in which the operator's gas production in the field fluctuated 20 percent or more with increased production. When this occurs, the operator must supply adequate documentation explaining the fluctuation for the field's AOF status to remain. Failure by any operator of active gas wells to return the annual AOF-3 review may result in the field being returned to proration; one exception is if <i>all</i> of an operator's active gas wells in the field have a capability of 100 mcf (thousand cubic feet) or less a day per well and the operator wishes the field to remain AOF, that operator is not required to return a completed AOF-3 form in order for the field to remain AOF.

OPERATOR'S
 REVIEW OF
AOF STATUS

AOF-3
 10/95

1. Operator name	2. P-5 operator no.	3. Review date	4. RRC dist. no.
5. Operator address including city, state, and zip code	6. Field Name		
	7. Field Number		
8. Production fluctuation information (RRC-generated annual review only)			
a. Months with fluctuation of 20 percent or more increased production during review period		b. Period reviewed	

Certification

I declare, subject to the false-filing penalties ("...imprisonment in the state penitentiary for not less than two years but not more than five years or by a fine of not more than \$10,000 or by both") prescribed in TNRC Sec. 91.143, that I am authorized to make this request, that it 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. I further certify (*the operator or the operator's representative is to complete and sign either Part I or Part II below*):

I. Recertification Request for Continuing AOF Status. (by signing, the operator or the operator's representative is certifying provisions a., b., d., and, where applicable, c.)

a. I certify that for the period of review (No. 8b) there has been and there currently exists a market demand for 100 percent of the production capacity of all of the active gas wells of the operator named above in the subject field. *Note: receipt of notice of curtailment from a purchaser requires that the operator find alternative markets so that demand for 100 percent of capacity is continuous.*

b. I certify that for the period of review (No. 8b) these wells have been, and continue to be, produced at full capacity as determined in accordance with Statewide Rule 28(c) with only normal operation interruptions such as well and compressor maintenance. *Note: fluctuations in pipeline pressure that result in uniform field-wide production fluctuations are acceptable.*

c. I certify that, if any months have been listed above (No. 8a) as having a fluctuation of 20 percent or more increased production, it is not because of voluntarily producing at less than capacity the prior month. Documentation is attached explaining the fluctuation. *Note: if documentation explaining the production fluctuation is inadequate, the field may be returned to proration.*

d. I certify that notice will be given to the Railroad Commission within 14 days if, over the next twelve-month review period, any of the following occur: (1) loss of 100 percent market demand, (2) production is voluntarily curtailed (other than for normal operation interruptions such as maintenance), (3) notice of curtailment of market demand from a purchaser and no alternatives are found that would ensure continuation of demand for 100 percent of production capacity, and/or, (4) a decision is made to return to prorated status.

signature _____ name (print) _____ phone _____
 title _____ contact (if different) _____ phone _____

II. Request for Return to Prorated Status. (by signing, the operator or the operator's representative is certifying a request that the field be returned to prorated status)

For the reason(s) checked, a request is made for a return to proration.

no demand for 100 percent capacity production voluntarily curtailed below capacity reason not given

signature _____ name (print) _____ phone _____
 title _____ contact (if different) _____ phone _____

READ INSTRUCTIONS ON BACK

INSTRUCTIONS

Form AOF-3: Operator's Review of AOF Status

Reference: Statewide
Rule 31(j)

Who Files the AOF-3	<p>The AOF-3 is used after a gas field has been granted absolute open flow (AOF) as follows:</p> <p>(1) Annual Review of AOF Status. Every March, each operator of active gas wells in an AOF field will be mailed a Railroad Commission computer-generated Form AOF-3, <i>Operator's Review of AOF Status</i>. The review period covers the most recent production months (up to twelve) of the preceding year in which the field continuously held AOF status. The form can be used either (a) to certify that the operator's wells are still eligible by completing Part I, or (b) to request a return to proration by completing Part II. Any operator of an active gas well in the field who does not wish to consent to the field remaining AOF may also signify that by not returning the AOF-3 form. Failure by any operator of active gas wells to return the annual AOF-3 review may result in the field being returned to proration; one exception is if <i>all</i> of an operator's active gas wells in the field have a capability of 100 mcf (thousand cubic feet) or less a day per well and the operator wishes the field to remain AOF, that operator is not required to return a completed AOF-3 form in order for the field to remain AOF.</p> <p>When an operator's gas production in the field has fluctuated 20 percent or more with increased production during the period of review, the month(s) in which this happens are listed on the annual review AOF-3 (Item No. 8a). When this occurs, the operator must supply adequate documentation explaining the fluctuation in order to maintain the field's AOF status.</p> <p>(2) Notice of Change. If a field is granted AOF status, each operator is responsible for informing the Commission within 14 days of any of the following events taking place: (1) loss of 100 percent market demand, (2) production is voluntarily curtailed (other than for normal operation activities such as maintenance), and (3) notice of curtailment of market demand from a purchaser and no alternatives are found that would ensure continuation of demand for 100 percent of production capacity. At any time, an operator in an AOF field may request a return to proration. The Form AOF-3, <i>Operator's Review of AOF Status</i>, is used for any of the above.</p>
"Active" Gas Well	<p>An active gas well is one that is assigned an allowable or that has reported production within the past three months. Excluded wells include storage wells, injection wells, or other types of service wells.</p>
Production Capacity	<p>Production capacity is determined by the G-10 deliverability test conducted under normal operating conditions and in accordance with Statewide Rule 28(c).</p>
Notice of Decision	<p>All operators in the field will be informed in the event the field is returned to proration. If a hearing is scheduled, notice will be sent to all operators in the field.</p>
How a field becomes AOF	<p>For a gas field to change from a prorated status to an absolute open flow (AOF) status, an application must be made by all operators of active gas wells in the field. One operator, the "initiating operator," requests the other operators to complete a Form AOF-2, <i>Individual Operator Application for AOF Status</i>, returning it to the initiating operator. The initiating operator will complete a Form AOF-1, <i>Field Application for AOF Status (Cover Sheet)</i>, attach all AOF-2 forms, and submit the application package to the Railroad Commission at the address on the front of the form.</p> <p>For the AOF status application to be considered administratively, each operator of active gas wells in the field must file an AOF-2. Otherwise, the initiating operator may request a hearing. There must be certified market demand for 100 percent of the production capacity of all active gas wells in the field.</p>