

RAILROAD COMMISSION OF TEXAS

Oil & Gas Division



Oil & Gas Division

Form P-16 Instructions and Guidelines

For Drilling Permit Application

(Form W-1)

February 2019

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REVIEW AND UNDERSTAND STATEWIDE RULES 38, 40 & 86 AND FIELD RULES BEFORE FILING FORM P-16.

GENERAL

PURPOSE OF FILING:

Form P-16 (Acreage Determination) is to be filed for the determination of acreage credit in connection with the filing of a *Form W-1, (Application for Permit to Drill, Recomplete, or Re-Enter)* or a Completion Report (*Form G-1, Gas Well Back Pressure Test, Completion or Recompletion Report, and Log, or a Form W-2, Oil Well Potential Test, Completion or Recompletion Report, and Log*). The Commission recognizes that the *Form P-16* can be filed in lieu of a *Form P-15* and *Acreage list*.

WHO FILES:

Form P-16 shall be filed by the operator of the subject lease as listed on the most current *Form P-4 (Producer's Transportation Authority and Certificate of Compliance)*, who assumes responsibility for the physical operation, control, and proper plugging of the well listed in Section II of *Form P-16* being filed or by an operator who has authority to make changes to the lease due to co-development.

WHEN TO FILE:

Form P-16 shall be filed in conjunction with each *Form W-1 (refer to the W-1 P-16 instructions)* and each *Form G-1 or W-2* for all horizontal, Production Sharing Agreement (PSA) and Allocation wells, for all wells in designated Unconventional Fracture Treated (UFT) fields, and for all co-development scenarios. In addition, *Form P-16* may also be filed independently to adjust proration acreage designation for existing leases/wells as permitted by special field rules and Statewide Rules (SWR). An individual *Form P-16* will be required for each field if a wellbore is perforated in a regulatory field in conjunction with a SWR-40 exception field.

Additional information may be required at the Commission's discretion as provided per Statewide Rules and regulatory field rules; such as lease and/or proration plats.

Underlined terms throughout this document indicate column or row headers as they appear on the *Form P-16*, and Italicized words indicate RRC form names. Refer to the end of this document for definitions of important terms and wellbore profile types.

SECTION I. OPERATOR INFORMATION

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

SECTION II. WELL INFORMATION

When filing the *Form P-16*, the well information section should be completed with the data that pertains to the specific well for which the drilling permit application is being filed.

STACKED LATERALS:

If the Wellbore Profile is listed as a Stacked Lateral, Stacked Lateral Allocation or Stacked Lateral PSA, list the Status/Permit No. of the Parent wellbore in the field labeled SL Record (Parent) Well Drilling Permit No.

All Stacked Lateral wells must have the same associated Parent wellbore drilling permit number. If a Parent wellbore becomes a Child wellbore, then amended drilling permits will be required for all wells that are impacted by the change. If the impacted wells are already on schedule, amended Drilling Permits and Well Record Only Completion Reports will need to be filed to update the Parent wellbore permit number.

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

This section should only be utilized for proposed and completed wells on a single lease, pooled unit, or unitized tract designated by the RRC or where multiple operators develop minerals on the same tract in the same regulatory field due to co-development.

If the number of wells exceeds the number of rows provided, continue the list on *Form P-16 Attachment 1A*.

Completed wells should report the current assigned proration acreage as shown on the RRC proration schedule. If the well is proposed, it is only required to show the minimum proration acreage required by the regulatory field rules. If the well is to be completed as a Stacked Lateral wellbore, then zero acres should be assigned.

FOR NON UFT FIELDS:

1. List all proposed and completed wells in the same acreage and regulatory field as the well listed in Section II. Include any Allocation or PSA wells that have been assigned acreage from the same tract as the well listed in Section II. **Service Wells, including injection wells, should not be listed.**
2. Provide the RRC ID No. or Lease No. If a lease number has not been assigned, enter the Drilling Permit number in the RRC ID No. or Lease No. column.
3. List the well number as it appears on the RRC Proration Schedule in the Well No. column.
4. Enter the wellbore profile in the Profile column.
5. List the lease name as it appears on the RRC Proration Schedule in the Lease Name column.
6. List the API number in the API No. column.
7. List the proposed or currently assigned proration acreage in the Acres Assigned column.
8. If a well has an approved exception to SWR-38, list "Y" in the SWR 38 Except. column.
9. Operator Name and Operator No. (if different from filing operator) should list the names of any operators who retain mineral rights in the same regulatory field as designated in Section II, or retain mineral rights due to any development agreement that may exist with the filing operator designated in Section I.

Item A. Not required for non-UFT fields or fields without an exception to SWR-40.

Item B. Not required for non-UFT fields or fields without an exception to SWR-40.

Item C. Total assigned acreage and total remaining acreage.

FOR UFT FIELDS:

1. If the proposed regulatory field is classified as a UFT field, or has special field rules that allow for separate acreage assignment based on wellbore profile, then provide a profile-specific listing of all completed wells in the same acreage and regulatory field as the well listed in Section II. **Service Wells, including injection wells, should not be listed.**
2. Provide the RRC ID No. or Lease No. If a lease number has not been assigned, enter the Drilling Permit number in the RRC ID No. or Lease No. column.
3. List the well number as it appears on the RRC Proration Schedule in the Well No. column.
4. Enter the wellbore profile in the Profile column.
5. List the lease name as it appears on the RRC Proration Schedule in the Lease Name column.
6. List the API number in the API No. column.
7. List the proposed or currently assigned proration acreage in the Acres Assigned column.
8. If well has an approved exception to SWR-38 list "Y" in the SWR 38 Except. column.
9. Operator Name and Operator No. (if different from filing operator) should list the names of any operators who retain mineral rights in the same regulatory field as designated in Section II, or retain mineral rights due to any development agreement that may exist with the filing operator designated in Section I.

- Item A. Total acreage assigned to horizontal wells and total remaining acreage.
- Item B. Total acreage assigned to vertical/directional wells and total remaining acreage.
- Item C. Total assigned acreage and total remaining acreage.

SECTION IV. REMARKS (REQUIRED FOR PSA AND CO-DEVELOPMENT)

1. For PSA wells, provide the percentage of both the MINERAL and WORKING interest owners who have signed an agreement from EACH TRACT that is being used in the developmental acreage. If any tract has less than 65% of mineral or working interests, the drilling permit application cannot be administratively approved.
2. If Multiple Operators are listed in Section III or Section V, due to the method of development, please explain the method of development per SWR-40.
3. If a recently filed *Form G-1* or *W-2* has adjusted the acreage on completed wells, please reference the *Form G-1* or *W-2* Tracking number with a comment in this section.
4. Provide any additional information that may be necessary and relevant for the review of the *Form W-1* application.
5. **If additional space is required, please supplement with an attachment.**

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

Complete this section when the well is being proposed as either an Allocation or PSA well.

List the following:

1. The individual tracts that comprise the developmental acreage.
2. RRC ID No., Lease No. or Tract ID: If there is an established lease number, enter it in this column for the tract being represented. If allocating acreage from an undeveloped tract, use the tract identifier as shown on the plat.
3. The Lease Name is the name of the pooled or unitized acreage, lease acreage, or undeveloped tract that is being represented.
4. The Beginning Lease Acreage should reflect the overall size of the individual tract being represented. The acreage reported for any RRC ID No., Lease No. or Tract ID should match the most recent *Form G-1* or *W-2* on file.
5. The Allocated Lease Acreage should list the number of lease acres from this tract that are being allocated to the applied for well listed in Section II. The combined total of the acreage assignments from each tract must meet at least the minimum proration acreage per the field rules. Any tract listed must contribute acreage to the wellbore (this applies to both Allocation and PSA wells).
6. The Ending Lease Acreage should reflect the remaining unassigned lease acreage after the applied for well acreage has been subtracted from the beginning acreage of the tract.
7. Operator Name and Operator No. (if different from filing operator) List any additional operators who retain mineral rights in the same regulatory field, as designated in Section II, within any portion of the tracts listed in Section V. If these rights allow the operators to develop wells within any portion of the applied for developmental acreage, it is required that the applicant provide a statement from said operators which states that the acreage proposed to be assigned to the applied for Allocation or PSA well will NOT be applied to any of the said operators' future wells within their tract. This resolves potential SWR-40(d) conflicts. Any additional operators may be considered affected offset parties for SWR-37 purposes.
 - a) The above information refers to a situation in which said operators are working in agreement with each other. If there is no such agreement in place, then potential SWR-40(d) issues may need to be addressed.

IMPORTANT:

1. For a wellbore to be administratively approved as an Allocation Wellbore, the well must produce from/be perforated in each lease and/or undeveloped tract that is being used to create the developmental acreage. If the well is not perforated in, or producing from a specific tract listed in this Section, then the tract will not be eligible for use in the developmental acreage and should not be represented on the plat or the *Form P-16*. (PSA wellbores may be administratively approved without production from/perforations in each lease and/or undeveloped tract, so long as there is production from at least one of the leases and/or undeveloped tracts being used for the developmental acreage and at least 65% of the mineral or working interest owners from each tract that is being used in the developmental acreage have signed a production sharing agreement).
2. In addition, a plat showing the full areal extent of the developmental acreage must be included with the *Form W-1* application.

SECTION VI. LISTING OF ALL WELLS IN THE APPLIED FOR REGULATORY FIELD AS DESIGNATED IN SECTION II AND ALLOCATING ACREAGE FROM ANY OR ALL TRACTS LISTED IN SECTION V

Section VI should only be utilized if the well for which the *Form P-16* is submitted is an Allocation or PSA well.

Complete Section VI as follows:

1. Use the rows to list all wells that are completed or proposed in the leases or tracts included in Section V, and are in the same field as the well specified in Section II. The RRC ID No. or Lease No., Lease Name, API No., Well No., Profile and Total Acres Assigned are required.
 - a. Include all proposed, producing, shut-in, and unperforated gas and oil wells,¹ from the base leases or undeveloped tracts included in Section V. Do not include service wells.
 - b. Completed wells should list the currently assigned proration acreage as shown on the RRC proration schedule. If the well is proposed, it is only required to show the minimum proration acreage required by the regulatory field rules. If the well is to be completed as a Stacked Lateral wellbore, then zero acres should be assigned.
 - c. Also include any completed or proposed Allocation or PSA wells on any leases or tracts listed in Section V.
 - d. If a Lease No. is not yet assigned, list the Drilling Permit or Status Number in the RRC ID No. or Lease No. column.
 - e. Use the *Form P-16 Attachment 2A* if additional rows are required.
2. To show the acres assigned to each well in Section VI, complete the Acres From column headings by filling in the letter (i.e., A, B, C, etc.) and the RRC ID No. or Lease No. (if assigned) from the corresponding row in Section V. For each well listed in Section VI, use the Acres From column to indicate the amount of acres assigned to the well from each tract listed in Section V.
3. If a recently filed *Form G-1* or *W-2* has adjusted the acreage on completed wells, please reference the *Form G-1* or *W-2* Tracking Number with a comment in Section VI.

Acreage shown for wells which are not yet completed and built to schedule is a proposal, and subject to change at the time of completion. This acreage is not a representation of how the well will be completed; it is an indicator to show that Statewide Rule 38 requirements have not been exceeded.

SECTION VI TOTALS: ITEMS A, B, AND C

FOR NON UFT FIELDS:

If the proposed regulatory field does not have any special field rules for acreage assignments based off the wellbore profile, then provide the following:

Item A. Represent the total acreage assigned to wells and total remaining acreage for each lease or tract listed in Section V.

¹ For UFT Fields, only include wells with the same profile as the well listed in Section II.

Item B. Not required for non-UFT fields or fields without an exception to SWR-40.

Item C. Not required for non-UFT fields or fields without an exception to SWR-40.

FOR UFT FIELDS:

If the proposed regulatory field is classified as a UFT or has special field rules that allow for separate acreage assignment based on the wellbore profile, then provide a profile-specific listing of all proposed and completed wells in the regulatory field and acreage, based on the profile of the well listed in Section II, and complete Items A, B, and C as follows:

Item A. Total acreage assigned to wells and total remaining acreage for each lease or tract listed in Section V.

Item B. Total acreage assigned to horizontal wells for each lease or tract listed in Section V.

Item C. Total acreage assigned to vertical and directional wells for each lease or tract listed in Section V.

TERMS

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

CO-DEVELOPMENT: Where multiple operators develop minerals on the same tract in the same regulatory field.

COMPLETED WELL: Any well that has been drilled to completion. Completed wells do not necessarily need to be producing to be considered completed. This includes: Producing wells, Shut-In wells, Temporarily Abandoned wells, completed but Unperforated wells. Stacked Lateral wells falling in this category will be listed on the *Form P-16* but will not be included in the *Form W-1* well count.

DISTRICT: Commission designated number for a specific group of counties.

PROPOSED FIELD: Any regulatory field(s) that are being applied for on the current proposed application.

PROPOSED WELL: Any well that has been permitted and/or applied for prior to the current working application, but not yet completed.

RRC ID NO. OR LEASE NO.: A regulatory number issued by the Commission to each oil lease, or individual gas well.

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

TRACT IDENTIFIER: The label or name of the tract that is shown on the plat.

UFT: Unconventional Fracture Treated field, A regulatory field designated by the Commission for which horizontal well development and hydraulic fracture treatment (as defined in §3.29(a)(15) and (16) relating to Hydraulic Fracturing Chemical Disclosure Requirements) must be used in order to recover resources from all or a part of the regulatory field and which may include the drilling of vertical wells along with the drilling of horizontal wells.

WELL NO.: The number of the well as listed on the Commission proration schedule or drilling permit. (Ex: 1H, 201H, 42D)

WELLBORE PROFILES AND TYPES

Underlined terms indicate Wellbore Profiles that should be used when filing the *Form P-16*.

VERT. (VERTICAL WELLBORE): A wellbore drilled as nearly vertical as possible by normal, prudent, practical drilling operations under a permit indicating a surface location only and without intentional deviation from the vertical in accordance with the provisions of Statewide Rule 11 (a) and (b).

DIREC. (DIRECTIONAL WELLBORE): The intentional deviation of a wellbore from vertical. Although wellbores are normally planned to be drilled vertically, many occasions arise when it is necessary or advantageous to drill at an angle from the vertical.

HORIZ. (HORIZONTAL WELLBORE): Any well that is developed with one or more horizontal drainhole drilled in the correlative interval between the penetration point and the terminus. The horizontal displacement will be calculated from the first take point to the last point and will be at least 100 feet.

ALLOC. (ALLOCATION WELLBORE): For purposes of this document, a horizontal wellbore crossing two or more tracts/leases and for which the operator allocates production among the tracts/leases crossed. The operator has made a good-faith claim that it holds leases covering each tract included in the developmental unit. For an allocation well to be administratively approved, the developmental unit can only include tracts where the wellbore is perforated/from which it is producing.

PSA (PRODUCTION SHARING AGREEMENT WELLBORE): For purposes of this document, a horizontal wellbore crossing two or more tracts/leases and for which the operator certifies that at least 65% of the MINERAL and WORKING interest owners from each tract within the developmental unit have signed an agreement as to how proceeds will be divided. The wellbore need not be perforated within each tract of the developmental unit.

RECORD WELLBORE: The well of record for any set of Stacked Lateral wells. This well will hold the acreage on the proration schedule and will be designated on the *Form W-1* application for any Stacked Lateral well associated with it.

PARENT WELLBORE: Another commonly used term to describe the record wellbore for a Stacked Lateral set.

SL (STACKED LATERAL WELLBORE): Commonly referred to as a Child wellbore, applies only to wells that have been stacked to a Parent or Record wellbore.

CHILD WELLBORE: Commonly referred to as a Stacked Lateral wellbore, only applies to wells that have been stacked to a Parent or Record wellbore.

ALLOC-SL (STACKED LATERAL ALLOCATION WELLBORE): A Stacked Lateral or Child wellbore associated with a Parent or Record wellbore that is classified as Allocation. The tract configuration listed in Section V must match the Parent or Record wellbore.

PSA-SL (STACKED LATERAL PSA WELLBORE): A Stacked Lateral or Child wellbore associated with a Parent or Record wellbore that is classified as PSA. The tract configuration listed in Section V must match the Parent or Record wellbore.

SERVICE WELLS: Any well that is not a producer or shut-in producer: Injection, Disposal, SWD, Cathodic Protection, Exploratory Test, Monitor, Water Supply etc. These well types are not assigned proration acres.