



DRILLING PERMITS:

SWR 40(e)(2) Exception: How to Request...Is it Required?

July 2025



SWR 40 AMENDMENT



- SWR 40 amendment went live on March 3rd, 2020
- Allows administrative approval to SWR 40(e)(2)
- UFT fields only
 - Regular fields require a hearing



- **UFT – Unconventional Fracture Treated**
- **Horizontal Division of Ownership – the depth range for which ownership exists within the surface acreage footprint**
- **Surface acreage footprint – the shape of the lease as seen on the surface of the earth (two dimensional)**



- **Upper Limit** – The top of the ownership interval
- **Lower Limit** – The bottom of the ownership interval
- **Full Interval rights** – condition in which the operator controls the minerals within the full correlative interval of the regulatory field



- **Developmental Tract** – A lease, pooled unit, or undeveloped tract being used within an Allocation or PSA well development
- **Developmental Acreage** – The overall acreage of an Allocation or PSA well development
- **Double Assignment** – the act of assigning proration acreage to multiple leases that share the same surface acreage footprint



- **“Divided Horizontally”**
 - Per SWR 40(e)(2): “separated into depth intervals defined by total vertical depth, depth relative to a specific geological contact, or some other similar discriminator.”
- **Regulatory field (aka: field)**
 - The named correlative interval from which the proposed production will occur
 - This is the field (or fields) entered on the Field List tab of the W-1

INTERVAL INFORMATION



- Interval information is only required if you are seeking an exception to SWR 40(e)(2)
- RRC is not the administrator or owner of your contractual intervals, we only review the information provided
- The RRC does not have regulatory authority over the mineral lease agreements.
 - We assume the information provided is true and correct

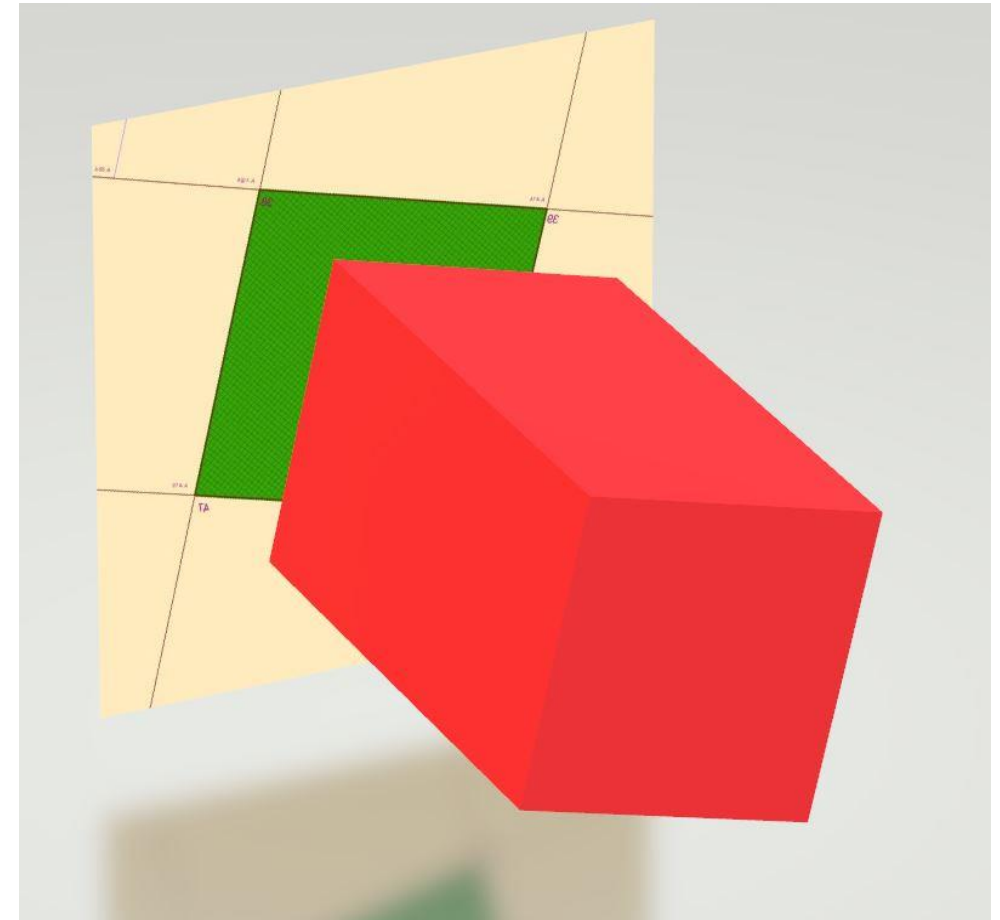
WHAT DOES DOUBLE ASSIGNMENT LOOK LIKE?



SINGLE LEASE ASSIGNMENT OF ACREAGE



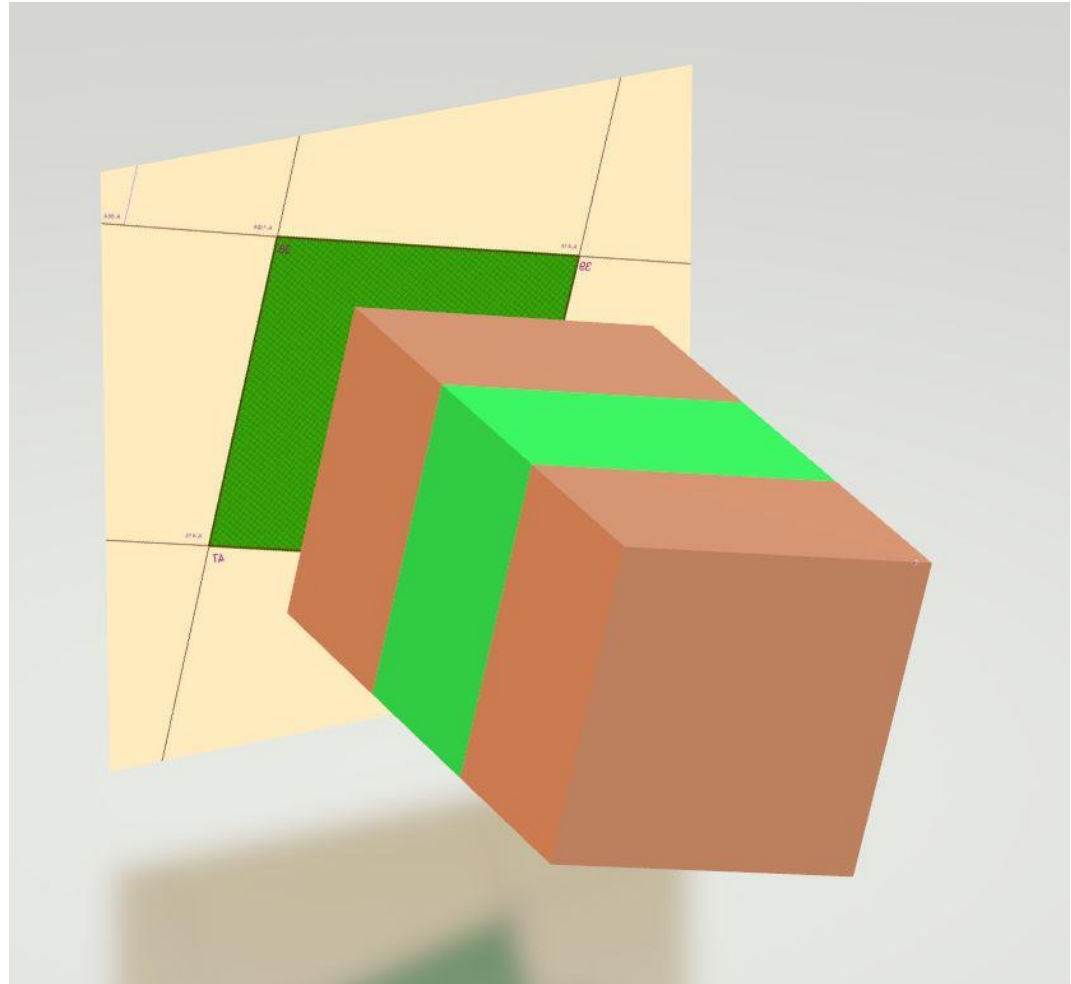
- Single lease covering the correlative interval of the regulatory field
- Green is the surface acreage footprint
- Red is the correlative interval of the regulatory field
 - An example of full interval ownership



DOUBLE ASSIGNMENT OF ACREAGE



- Multiple leases within the correlative interval of the regulatory field
- Green is the surface acreage footprint
- Three leases are created within the regulatory field due to the ownership intervals that exist



IS IT REQUIRED?



- Claiming an exception to SWR 40(e)(2) is **OPTIONAL**
- It is **NOT** required to fill out the SWR 40 Section on the Field Details tab of the W-1

A NOTE ABOUT THE TWO SPRABERRY FIELDS



- **Spraberry (Trend Area) R40 EXC is no longer used to create new lease id numbers.**
 - The regular Spraberry (Trend Area) field will be used moving forward.
- **Oil or Gas leases already completed the R40 EXC field**
 - You will still use the R40 EXC field
 - Required to maintain the same field as the current lease
- **Allocation or PSA wells completed in the R40 EXC field**
 - You may still use the R40 EXC field if a new Allocation/PSA well is being proposed using the same developmental tracts.

A NOTE ABOUT 0 and 999,999



- **Zero will still be used**
 - This will represent the top of the regulatory field
 - 0/9500
- **999,999 will still be used**
 - This will represent the bottom of the regulatory field
 - 9500/999,999
- **0/999,999 will never be used in combination again**
 - This represents full interval rights
 - You will leave both the upper and lower values empty in this case, moving forward

PAUSE



**Take a moment to let that information sink in.
It is the foundation for the remainder of the presentation.**



SWR 40 Section on the W-1 (1 of 3)



State Wide Rule 40

Form W-1 Instructions

Form P-16 Instructions

In the current application, is the operator seeking multiple assignment of acreage under Statewide Rule 40?:

If No is chosen, then the additional information below is not required and you can proceed to the wellbore profile section below.

1. Will the well be completed in a "UFT" field?

"UFT" status can be found in the Special Horizontal Field Rules section of this application.

2. Is ownership of the right to drill or produce "divided horizontally", i.e., separated into depth intervals defined by total vertical depth, depth relative to a specific geological contact, or some other similar discriminator?

3. Please provide the upper and lower limits of the applicant's Horizontal Ownership Interval: **Upper Limit:** **Lower Limit:**

If this W-1 is for an Allocation or PSA well and there are multiple severances, the first severance encountered by the wellbore will be entered in the boxes above. Section 5 of the P-16 will capture the severance values for each developmental tract.

4. Is the applicant the owner of all wells, including any wells permitted but not yet drilled or completed, located within one-half mile of the proposed wellbore between the first and last take points?

If No, please attach copies of the SWR 40 notice, SWR 40 service list, and certified plat as required by SWR 40(e)(2)(B).

5. If the well will not be completed in a UFT field, or if the well will be completed in a UFT field but the right to drill and produce has not been divided horizontally, please provide the docket number of the final order approving the multiple assignment of acreage for the subject well or RRC lease/unit. **Docket Number:**

Please see SWR 40(g) for more information about the public hearing process.

Note: If the answer to question 1 and/or 2 is NO, then this application cannot be approved until the applicant has been granted authority for the multiple assignment of acreage via a Commission approved Final Order.

- Section was deployed at the end of May 2022
- Located on the Field Details tab of the W-1

SWR 40 Section on the W-1 (2 of 3)



State Wide Rule 40

[Form W-1 Instructions](#)

[Form P-16 Instructions](#)

- **Links to the W-1 Instructions and P-16 instructions are found at the top of this Section**
- **W-1 and P-16 instructions have been updated to include direction regarding the SWR 40 section update**
- **These are provided so that you (the filer) have easy access to the procedures**

SWR 40 Section on the W-1 (3 of 3)



State Wide Rule 40	Form W-1 Instructions	Form P-16 Instructions
<p>In the current application, is the operator seeking multiple assignment of acreage under Statewide Rule 40?: <input type="button" value="No"/></p> <p>If No is chosen, then the additional information below is not required and you can proceed to the wellbore profile section below.</p> <p>1. Will the well be completed in a "UFT" field? <input type="button" value="None Selected"/></p> <p>"UFT" status can be found in the Special Horizontal Field Rules section of this application.</p> <p>2. Is ownership of the right to drill or produce "divided horizontally", i.e., separated into depth intervals defined by total vertical depth, depth relative to a specific geological contact, or some other similar discriminator? <input type="button" value="None Selected"/></p> <p>3. Please provide the upper and lower limits of the applicant's Horizontal Ownership Interval: Upper Limit: <input type="text"/> Lower Limit: <input type="text"/></p> <p>If this W-1 is for an Allocation or PSA well and there are multiple severances, the first severance encountered by the wellbore will be entered in the boxes above. Section 5 of the P-16 will capture the severance values for each developmental tract.</p> <p>4. Is the applicant the owner of all wells, including any wells permitted but not yet drilled or completed, located within one-half mile of the proposed wellbore between the first and last take points? <input type="button" value="None Selected"/></p> <p>If No, please attach copies of the SWR 40 notice, SWR 40 service list, and certified plat as required by SWR 40(e)(2)(B).</p> <p>If the well will not be completed in a UFT field, or if the well will be completed in a UFT field but the right to drill and produce has not been divided horizontally, please provide the docket number of the final order approving the multiple assignment of acreage for the subject well or RRC lease/unit. Docket Number: <input type="text"/></p> <p>Please see SWR 40(g) for more information about the public hearing process.</p> <p>Note: If the answer to question 1 and/or 2 is NO, then this application cannot be approved until the applicant has been granted authority for the multiple assignment of acreage via a Commission approved Final Order.</p>		

- Green text within the section serves as guidance for each question

SWR 40 Section: Qualifying Question



In the current application, is the operator seeking multiple assignment of acreage under Statewide Rule 40?:

If No is chosen, then the additional information below is not required and you may proceed to the wellbore profile section below.

- SWR 40 is optional, therefore “NO” is selected by default
- If you are not claiming an exception to SWR 40(e)(2), then don’t change this answer and proceed past this section
- Selecting “YES” will require the additional questions in the section to be answered

SWR 40 Section: Question #1



1. Will the well be completed in a "UFT" field?

"UFT" status can be found in the Special Horizontal Field Rules section of this application.

- Options are YES or NO
- If YES, move to question 2
- If No, move to question 2
 - This will also require the use of an approved Final Order Docket as stated in the Note at the bottom of the SWR 40 section

SWR 40 Section: Question #2



2. Is ownership of the right to drill or produce "divided horizontally", i.e., separated into depth intervals defined by total vertical depth, depth relative to a specific geological contact, or some other similar discriminator?

- Options are YES or NO
- If YES, move to question 2
- If No, move to question 2
 - This will also require the use of an approved Final Order Docket as stated in the Note at the bottom of the SWR 40 section

SWR 40 Section: Question #3 (1 of 2)



3. Please provide the upper and lower limits of the applicant's Horizontal Ownership Interval: **Upper Limit:** **Lower Limit:**

If this W-1 is for an Allocation or PSA well and there are multiple severances, the first severance encountered by the wellbore will be entered in the boxes above. Section 5 of the P-16 will capture the severance values for each developmental tract.

- SWR 40 is optional, therefore “NO” is selected by default
- If you are not claiming an exception to SWR 40(e)(2), then don’t change this answer and proceed past this section
- Selecting “YES” will require the additional questions in the section to be answered

SWR 40 Section: Question #3 (2 of 2)



3. Please provide the upper and lower limits of the applicant's Horizontal Ownership Interval: **Upper Limit:** **Lower Limit:**

If this W-1 is for an Allocation or PSA well and there are multiple severances, the first severance encountered by the wellbore will be entered in the boxes above. Section 5 of the P-16 will capture the severance values for each developmental tract.

- Interval values are from your company records
- RRC does not keep this information as the contractual record
 - This comes from your legal record
- The RRC does not have regulatory authority over the mineral lease agreements.
 - We assume the information provided is true and correct

SWR 40 Section: Question #4



4. Is the applicant the owner of all wells, including any wells permitted but not yet drilled or completed, located within one-half mile of the proposed wellbore between the first and last take points?

If No, please attach copies of the SWR 40 notice, SWR 40 service list, and certified plat as required by SWR 40(e)(2)(B).

- Options are YES or NO
- If YES, Notice documents are not required
- If No, Notice documents are required to be attached

SWR 40 Section: Question #5



5. If the well will not be completed in a UFT field, or if the well will be completed in a UFT field but the right to drill and produce has not been divided horizontally, please provide the docket number of the final order approving the multiple assignment of acreage for the subject well or RRC lease/unit. **Docket Number:**

If a Docket # is provided, please also enter the approved interval from the Commission Approved Final Order in the boxes provided for question #3.

Please see SWR 40(g) for more information about the public hearing process.

- If the answers to either Question 1 or 2 was NO:
 - An approved Final Order Docket Number is required
- If you already have an approved Final Order Docket Number
 - You are required to enter it
- If you do not yet have an approved Final Order Docket Number:
 - You will be required to go to Hearing
 - The W-1 cannot be approved until the Hearing has concluded and granted the approved Final Order Docket Number

SWR 40 Notice



- Covered by SWR 40(e)(2)(B)
- Notice requirements:
 - Operators of wells and/or permitted locations
 - Half mile radius from proposed well's production
 - Advise that you are applying for an exception to SWR 40(e)(2)
 - Provide location information and ownership interval information
- Once notice has been mailed:
 - W-1 must be submitted within 15 days
 - It can be submitted day of, or you can wait until the 15th day
 - If submitted after 15 days, re-notice will be required
 - There is not a wait period like an off-lease PoP notice



In the next section we will discuss:

Regular Leases and Pooled Units

INTERVAL INFORMATION REMINDER



- Interval information is only required if you are seeking an exception to SWR 40(e)(2)
- RRC is not the administrator or owner of your contractual intervals, we only review the information provided
- The RRC does not have regulatory authority over the mineral lease agreements
 - We assume the information provided is true and correct

INTERVAL VALUES: REGULAR LEASE



- For a regular lease or pooled unit there will only be one interval reported.
 - Enter the Upper and Lower limits in the boxes for question 3 and the boxes in Section II of the P-16
- If there are no other wells permitted or completed in an interval above or below the stated interval, then there is no double assignment yet.
 - Double assignment will begin when the first well in a different interval is permitted within the regulatory field and surface acreage footprint

INTERVAL VALUES: POOLED UNITS



- For a pooled unit, all the information on the previous slide applies as written
- If some of the pooled tracts have slightly different values per your contract(s), you will still only enter one interval range:
 - For the Upper Limit: You will use the DEEPEST value from all the upper limit values in your lease
 - For the Lower Limit: You will use the SHALLOWEST value from all the lower limit values in your lease

W-1 AND P-16 MUST MATCH



SECTION II. WELL INFORMATION				
District No.:		API No.:		Purpose of Filing: <input type="checkbox"/> Form W-1 <input type="checkbox"/> Form G-1/W-2
Well No.:		Drilling Permit No.:		
Lease Name:		RRC ID or Lease No.:		Ownership Interval: Upper: <input type="text"/> Lower: <input type="text"/>
Total Lease Acres:		Field Name:		
Proration Acres:		Field No.:		
Wellbore Profile:		Is this a UFT field?:		
SL Record (Parent) Well Drilling Permit No.:		County:		

- The interval values for your regular lease or pooled unit must be consistent on the W-1 and Section II of the P-16
- If the values are inconsistent, you will receive a problem

WELL COUNT: WHAT QUALIFIES

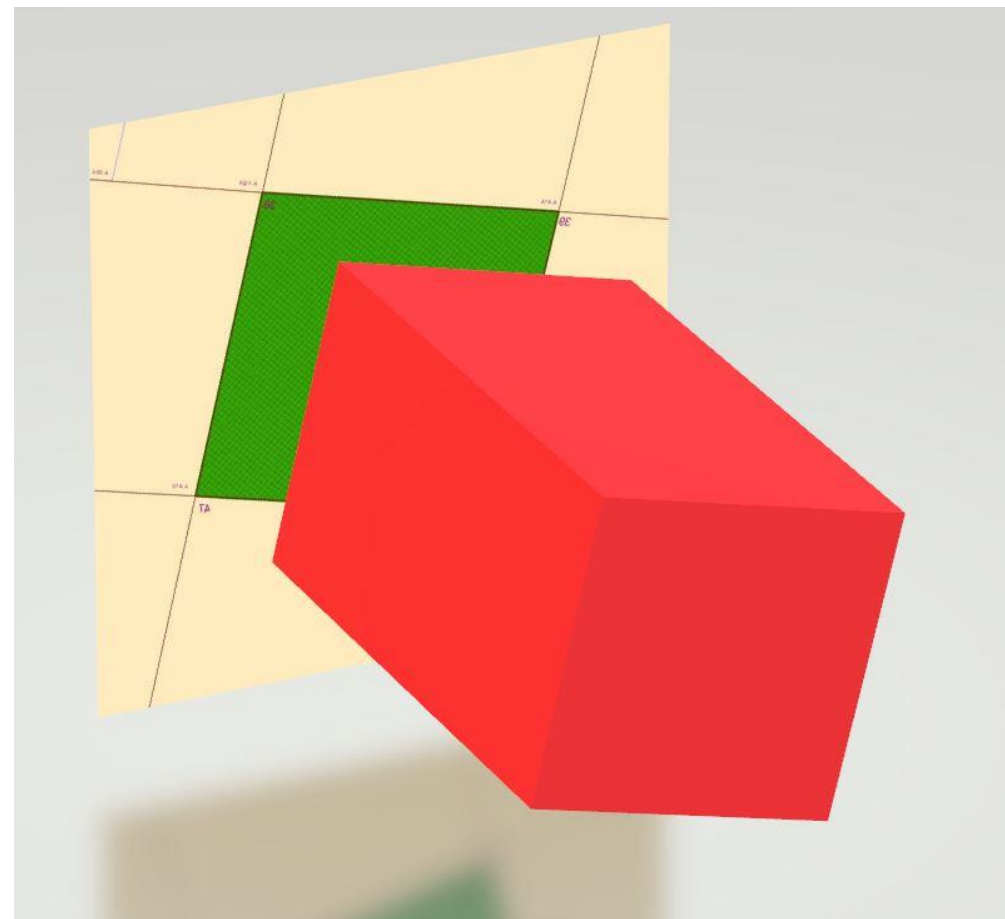
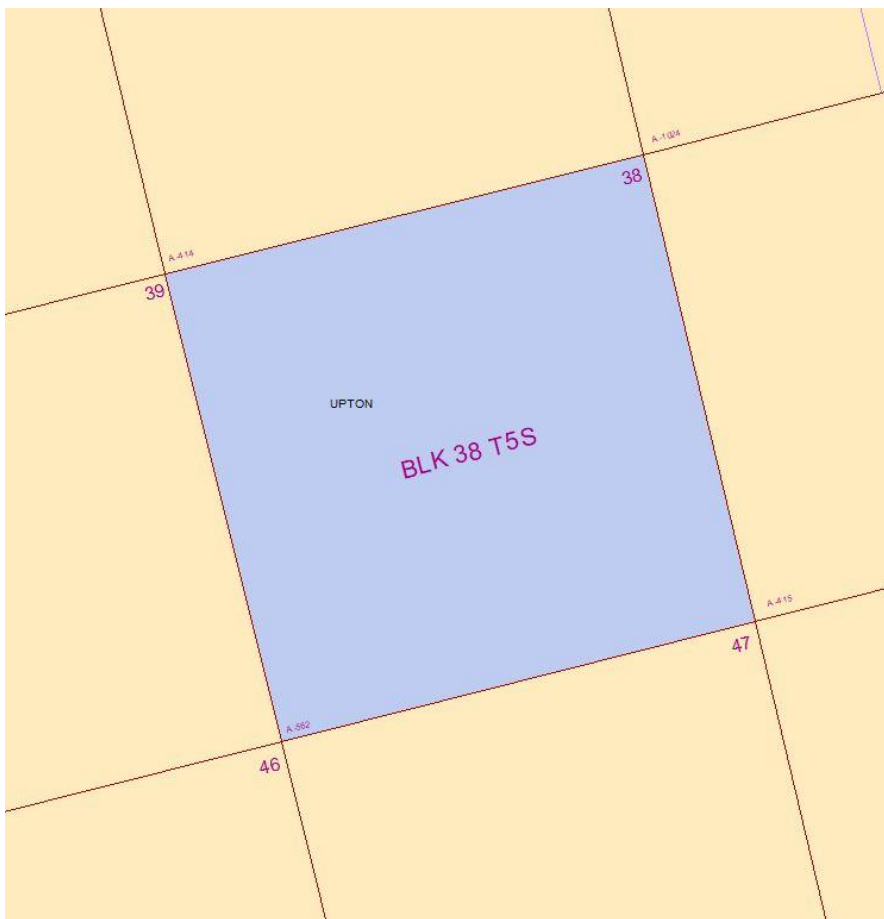


- The well count will include any wells that are:
 - In the same ownership interval that is provided on the application
 - In the same regulatory field
 - Profile specific with your application
- Any Allocation or PSA well with producing points that meet any or all the criteria above will also be included
- List all applicable wells in Section III of the P-16

SINGLE LEASE/POOLED UNIT EXAMPLES (1 of 7)



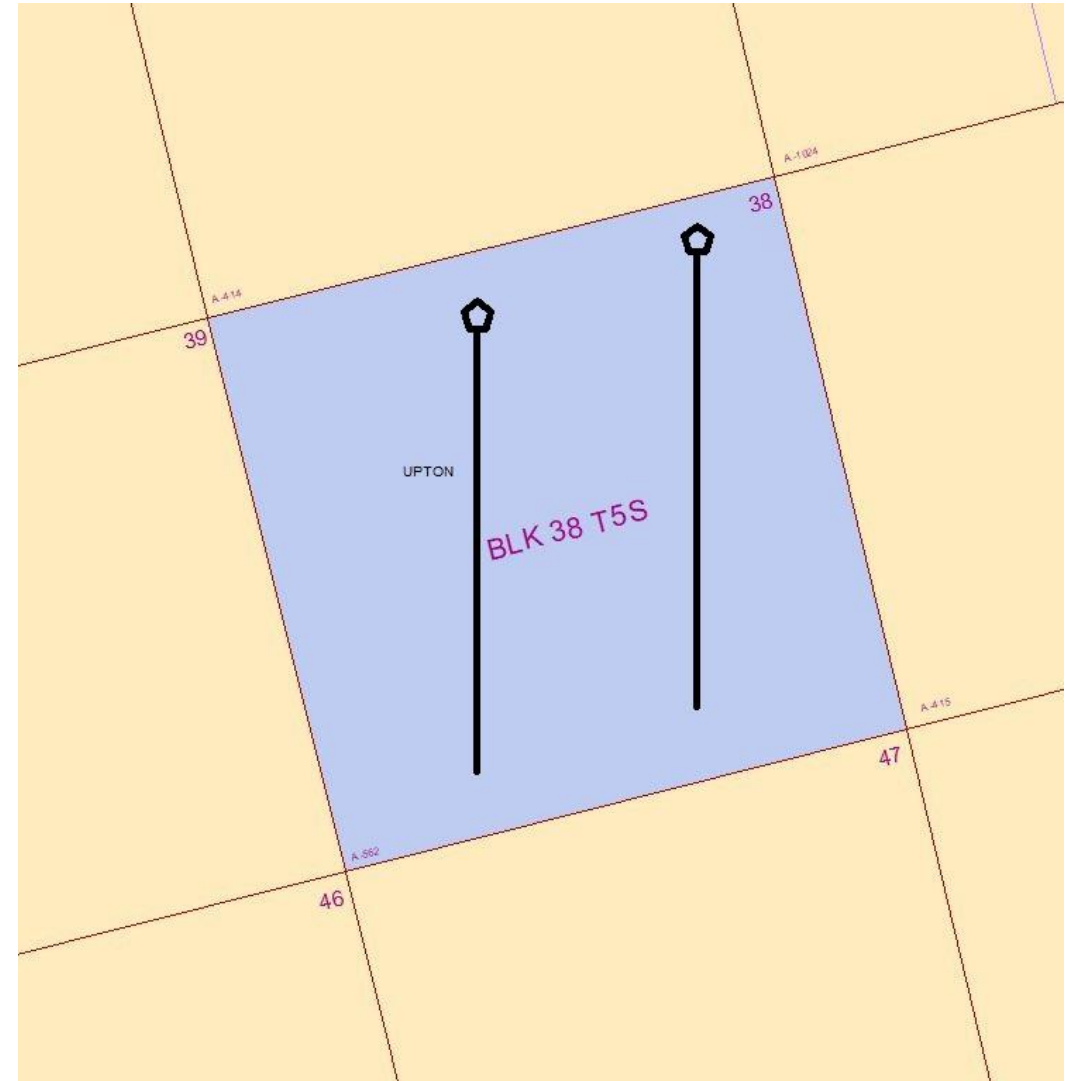
Single Lease with full interval rights



SINGLE LEASE/POOLED UNIT EXAMPLES (2 of 7)



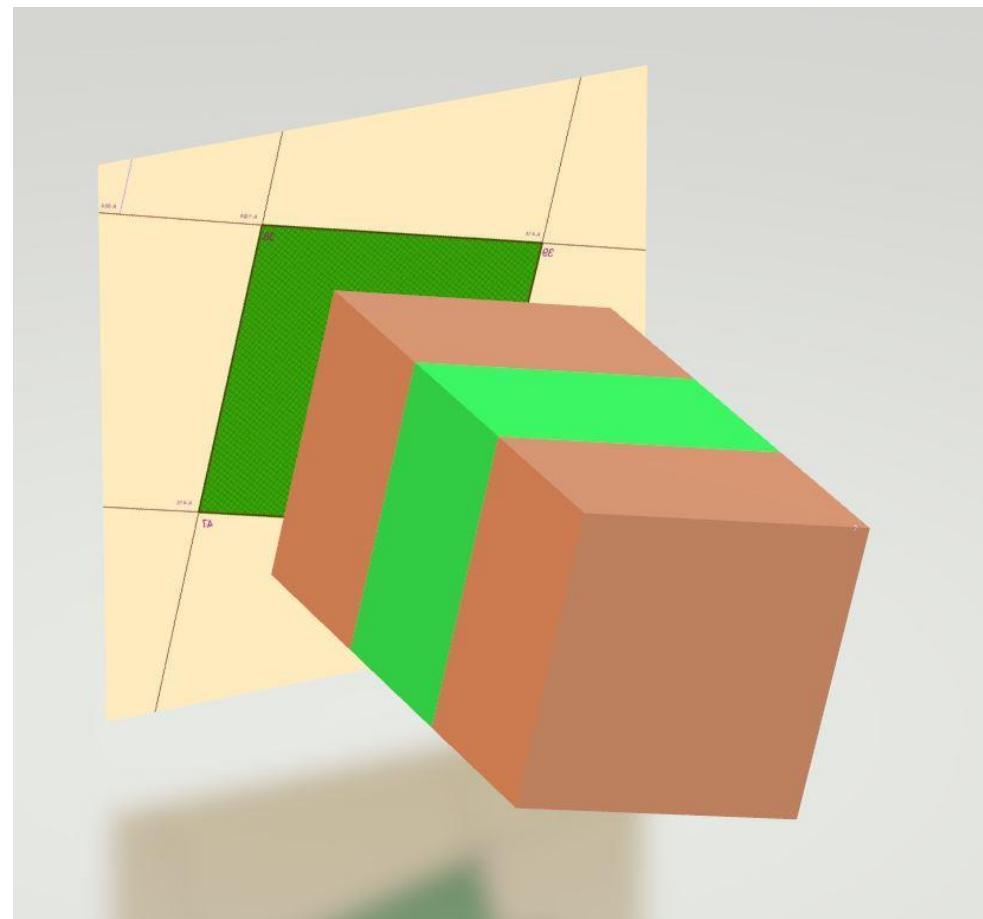
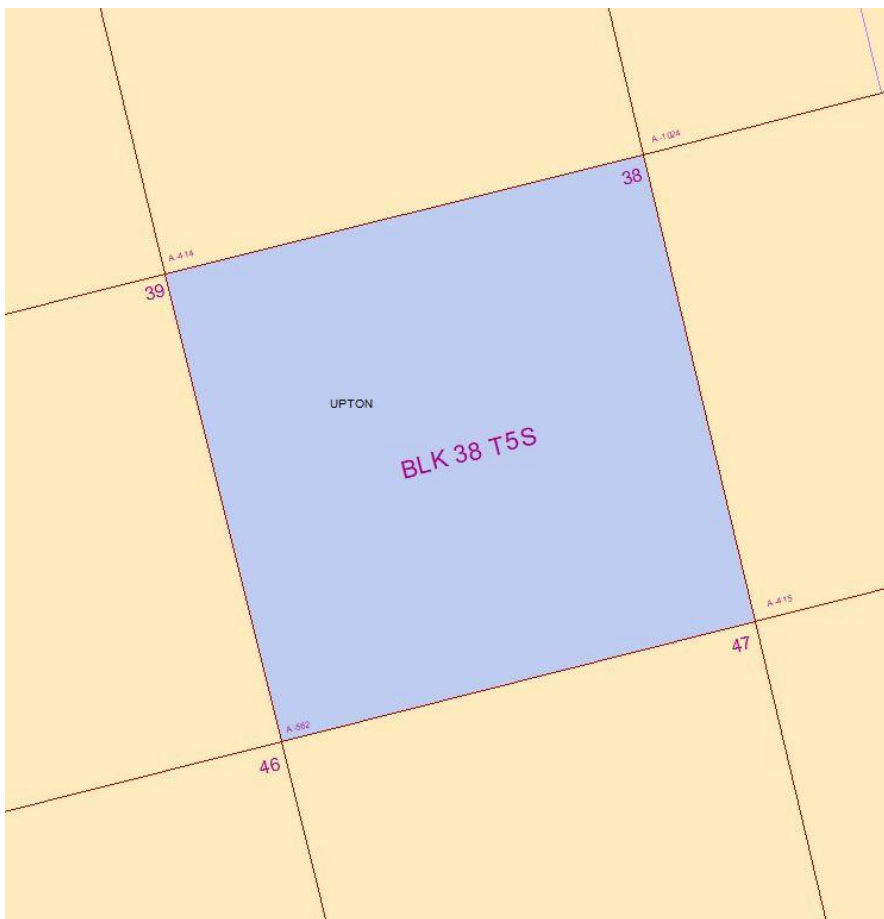
- Any well within this footprint, that is permitted or completed in the same regulatory field will be considered for well count, Rule 37 between well spacing, Rule 38 density calculations, and included in the P-16 listing, regardless of depth within the field and the Operator name associated with the well.
- This image depicts two wells. Assuming they are in the same field, they will account for each other.



SINGLE LEASE/POOLED UNIT EXAMPLES (3 of 7)



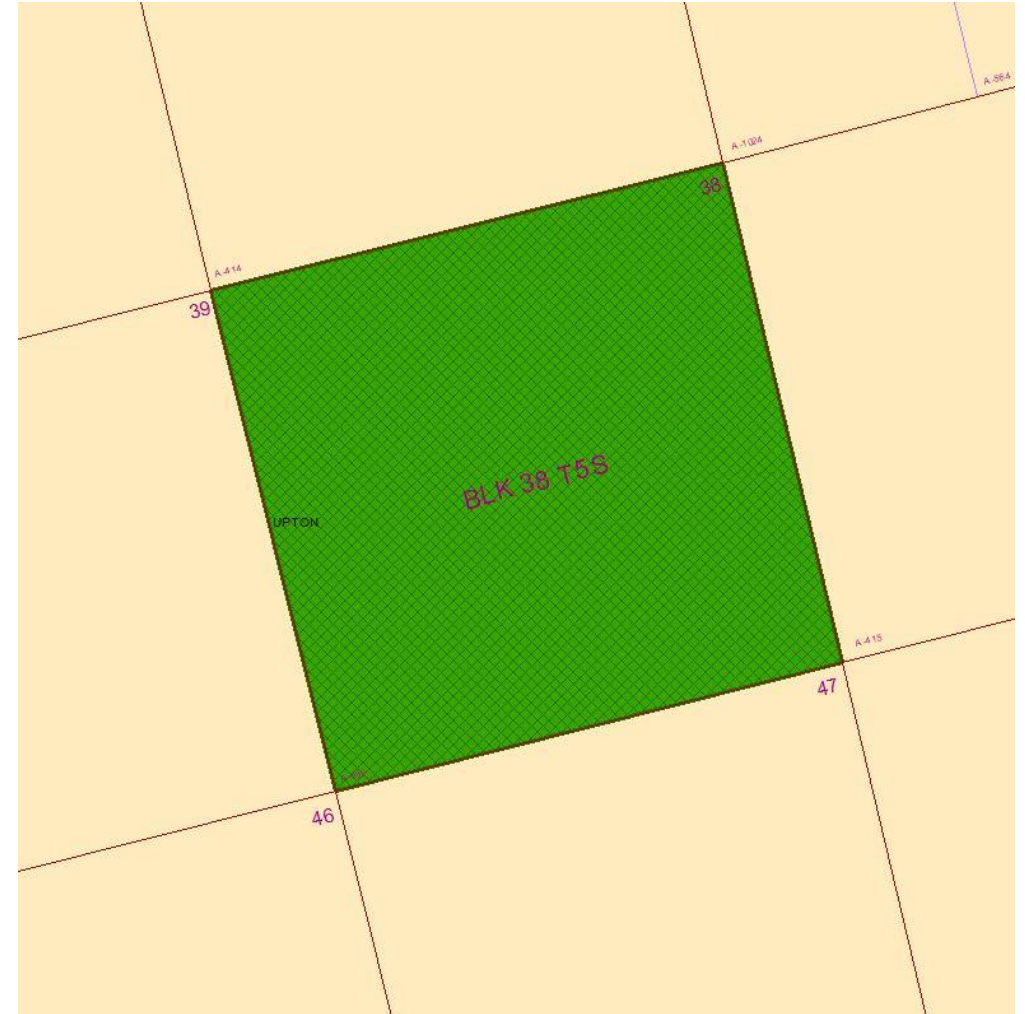
Single Lease with an ownership interval



SINGLE LEASE/POOLED UNIT EXAMPLES (4 of 7)



- The surface acreage footprint is represented in the image to the right.
- We will assume an ownership interval exists, for which the values are 8,000 to 10,000 feet
- We are concerned with any well that is permitted or completed in:
 - the same regulatory field
 - the same interval (8,000 – 10,000)
 - this same surface acreage footprint



SINGLE LEASE/POOLED UNIT EXAMPLES (6 of 7)

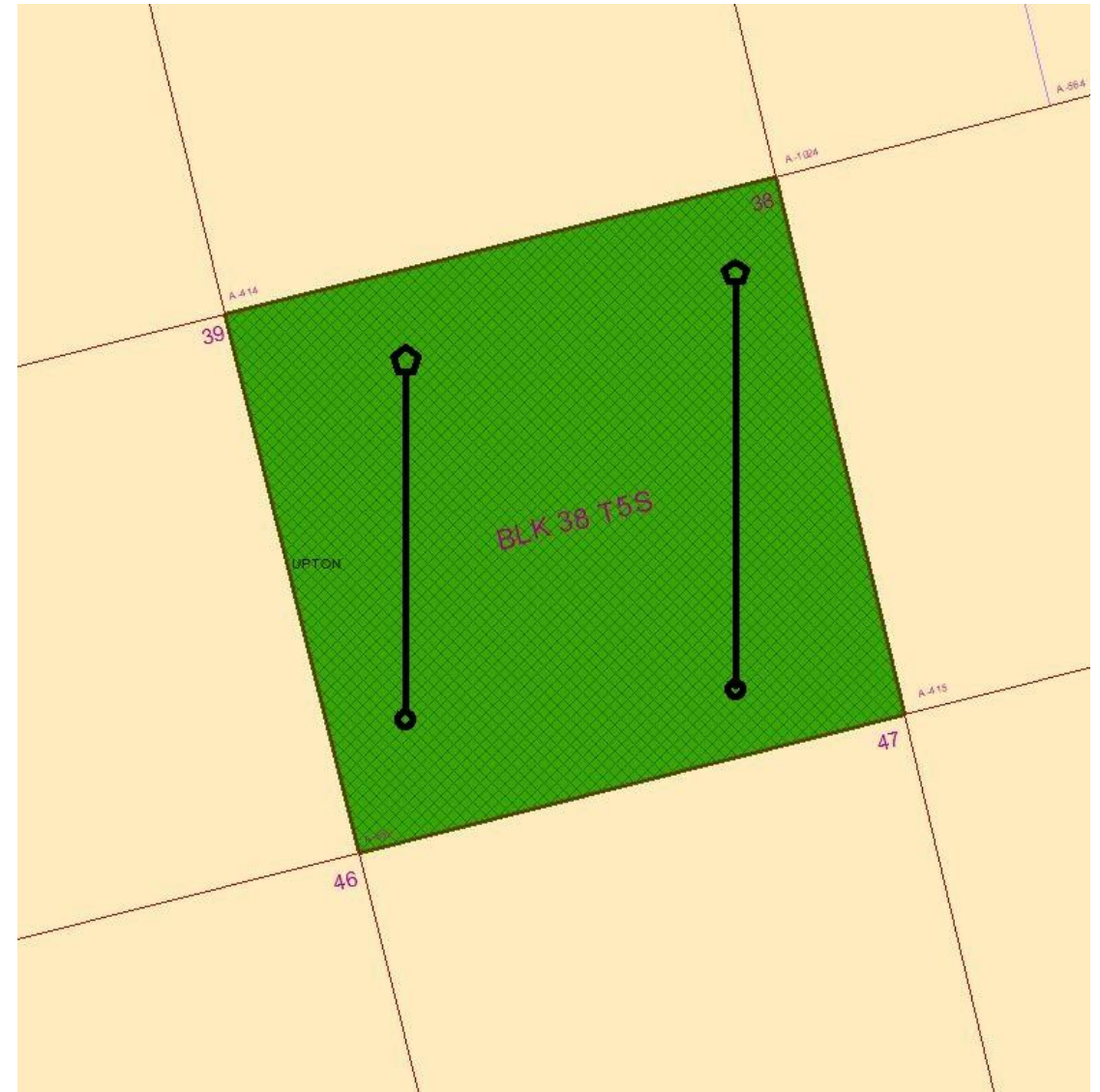


The two wells shown in the image are :

- Permitted or completed in the same field.
- Permitted or completed within the same interval on the W-1 (8,000-10,000).
- In the same surface acreage footprint.

Both wells are:

- Included in the well count.
- Considered for between well spacing.
- Included in Rule 38 calculations.

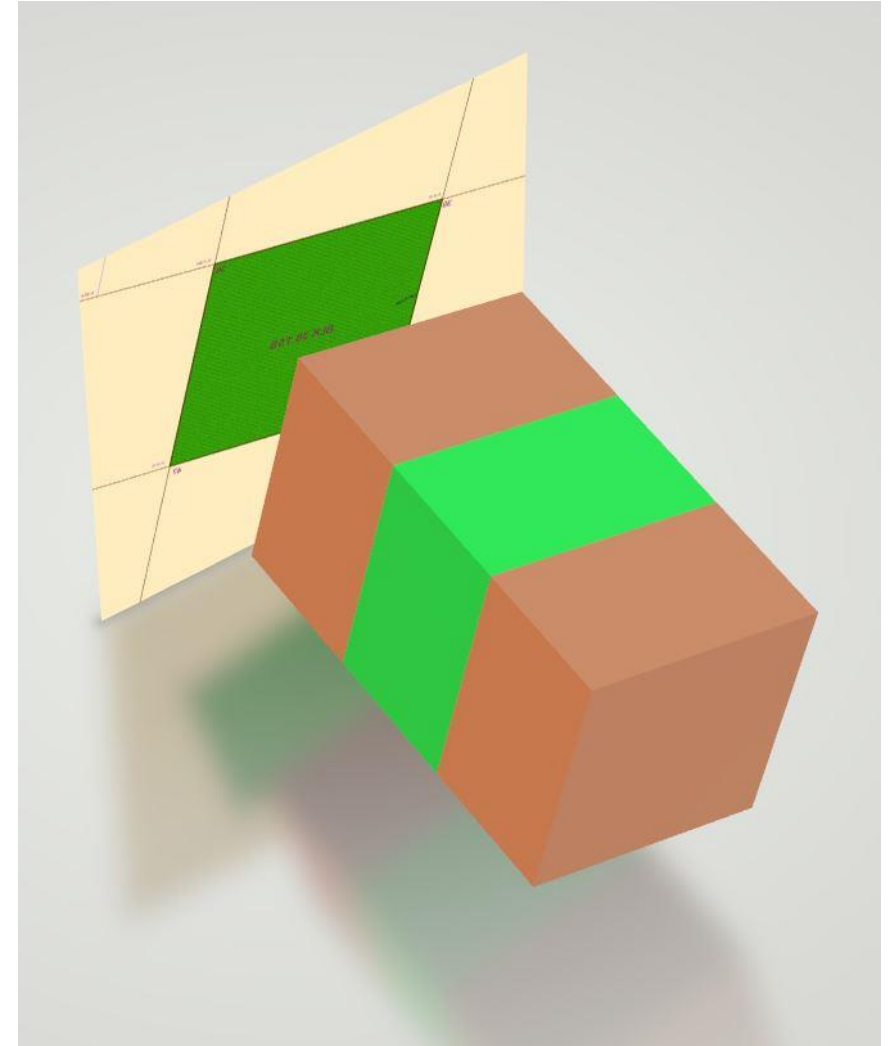


SINGLE LEASE/POOLED UNIT EXAMPLES (7 of 7)



The green block represents the top of the filer's ownership interval (8,000/10,000)

- Any well that is completed or permitted in the brown sections, will not be:
 - Included in the well count
 - Considered for between well spacing
 - Included in Rule 38 calculations
 - Listed on the P-16
- Regardless of the regulatory field.



LET IT SINK IN



Take a moment to let that information sink in, it will allow us to build into complex Allocation and PSA wells.





The next Section will cover Allocation and PSA well developments and SWR 40(e)(2)

ANOTHER INTERVAL INFORMATION REMINDER



- Interval information is only required if you are seeking an exception to SWR 40(e)(2)
- RRC is not the administrator or owner of your contractual intervals, we only review the information provided
- The RRC does not have regulatory authority over the mineral lease agreements
 - We assume the information provided is true and correct



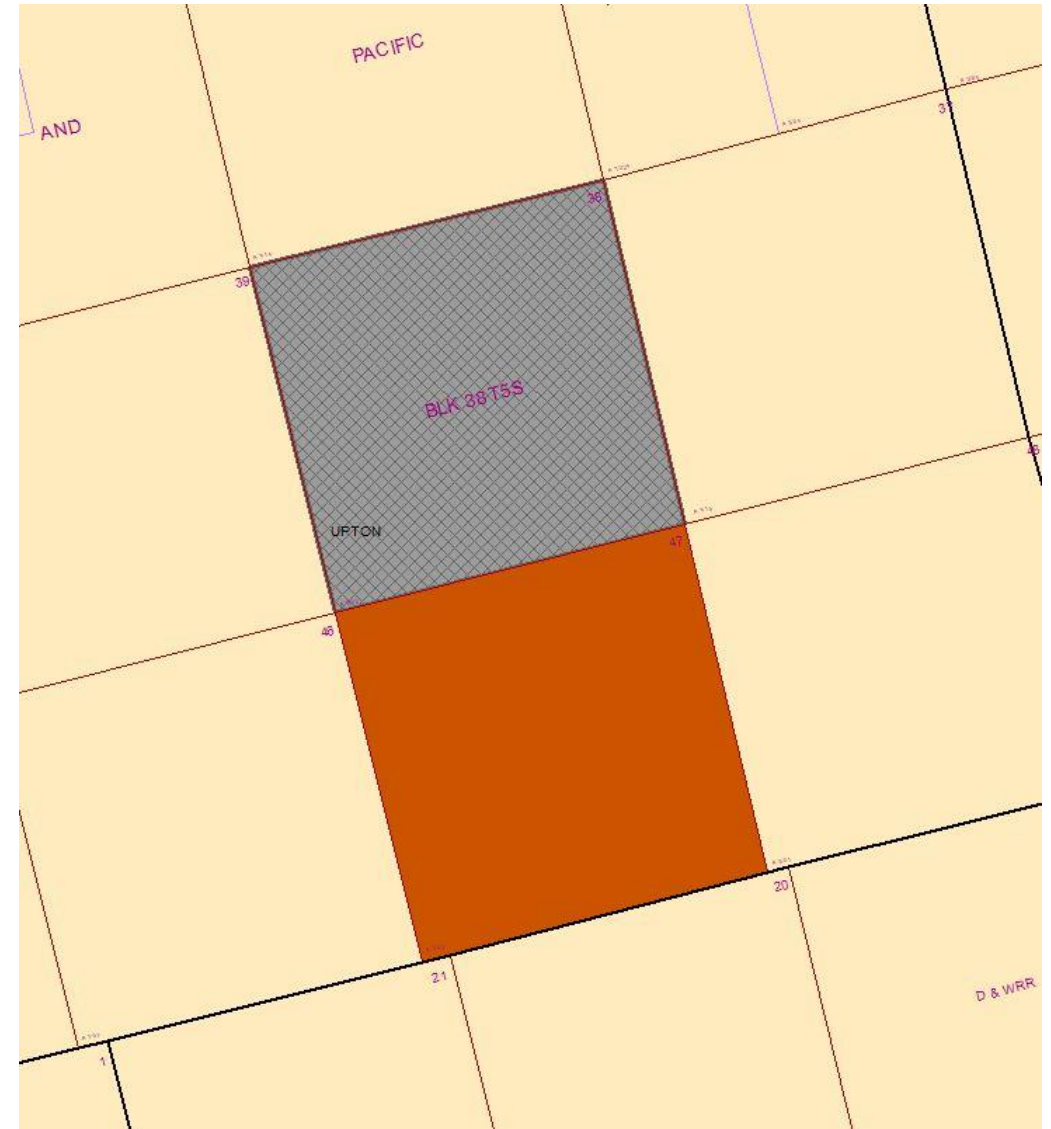
Minimal Complexity:

**Allocation or PSA developmental setup with
no ownership intervals**

ALLOCATION/PSA - NO INTERVALS (2 of 4)



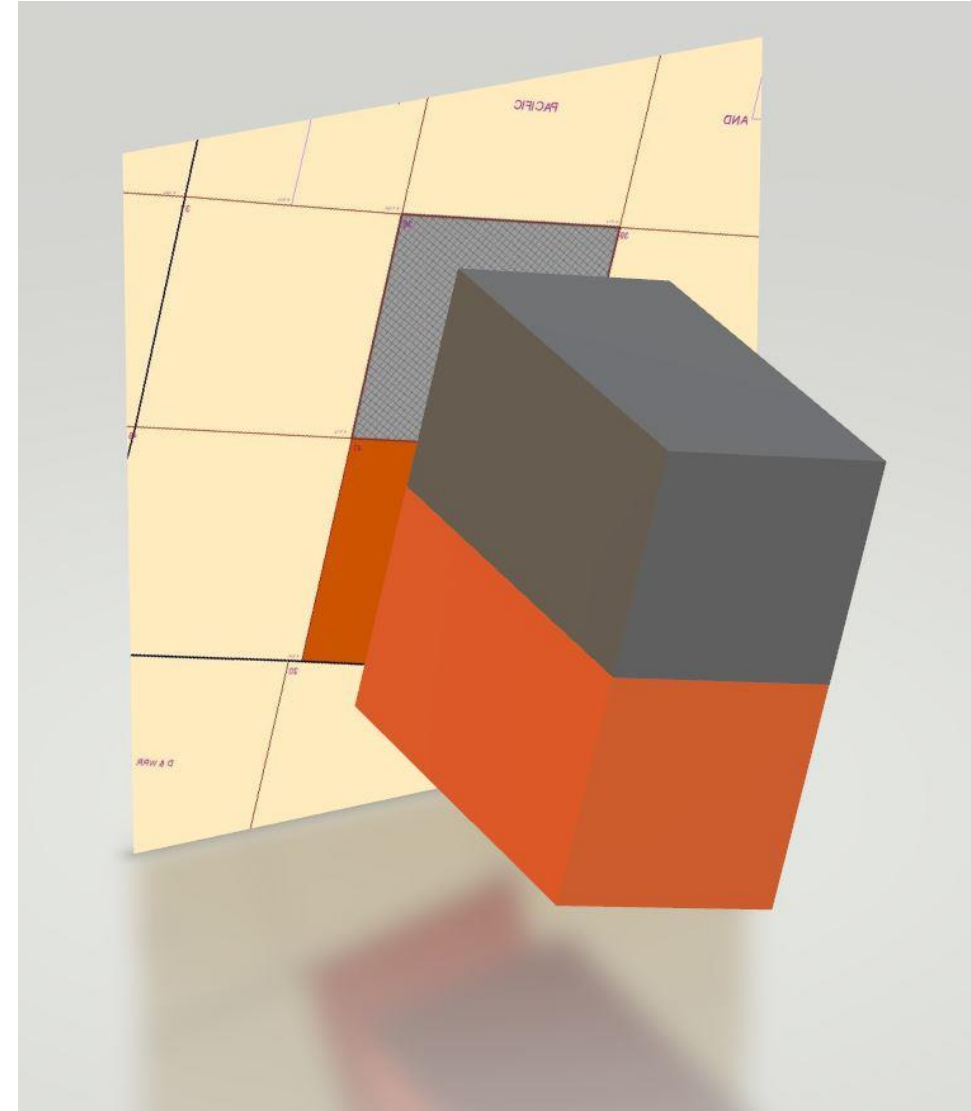
- Depicted is a basic Allocation or PSA developmental acreage.
- Two developmental tracts comprise this development.
- Surface acreage footprint of each lease (developmental tract) is shown.



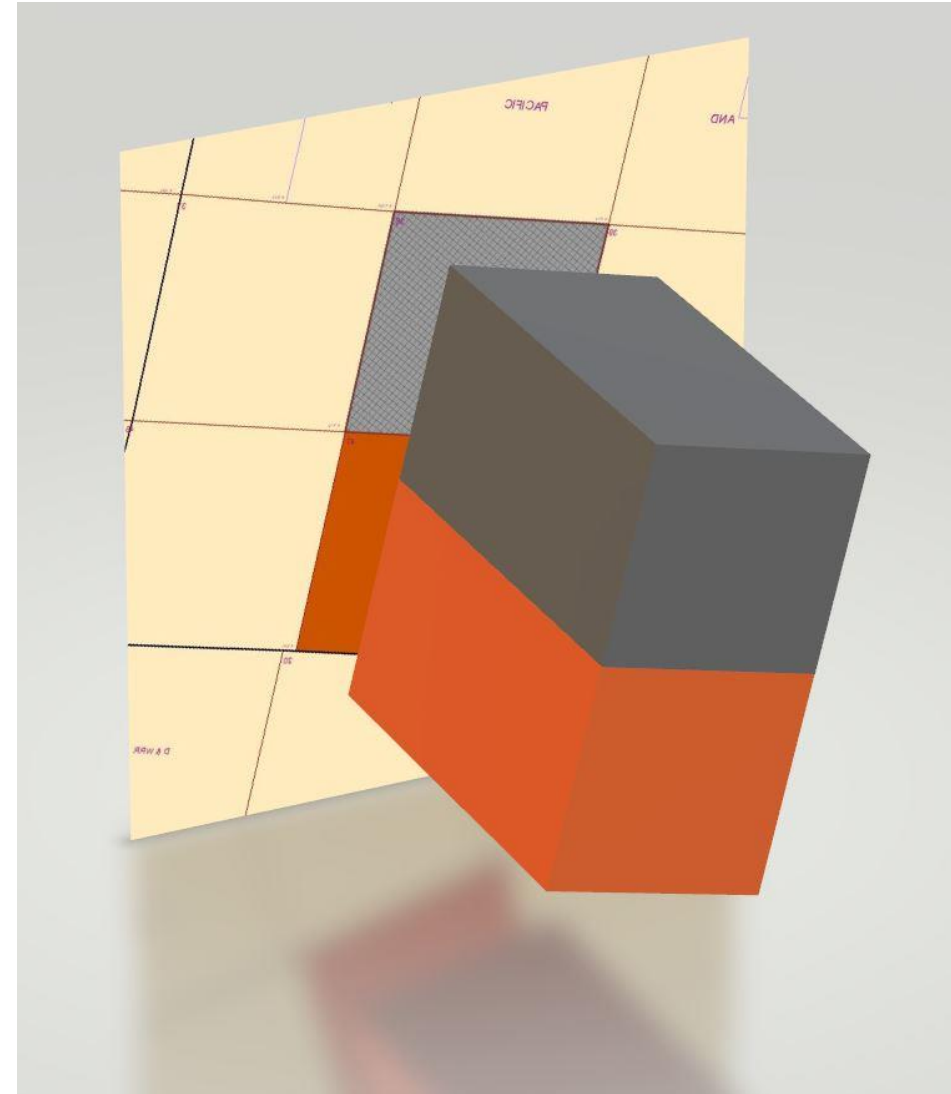
ALLOCATION/PSA - NO INTERVALS (3 of 4)



- No ownership intervals exist for either of the two developmental tracts.
 - An example of full interval rights in the regulatory field.
- No double assignment of surface acreage is occurring.



- Any well permitted or completed in the same regulatory field will be accounted for
- The full correlative interval of the regulatory field is available for development





Increasing the Complexity:

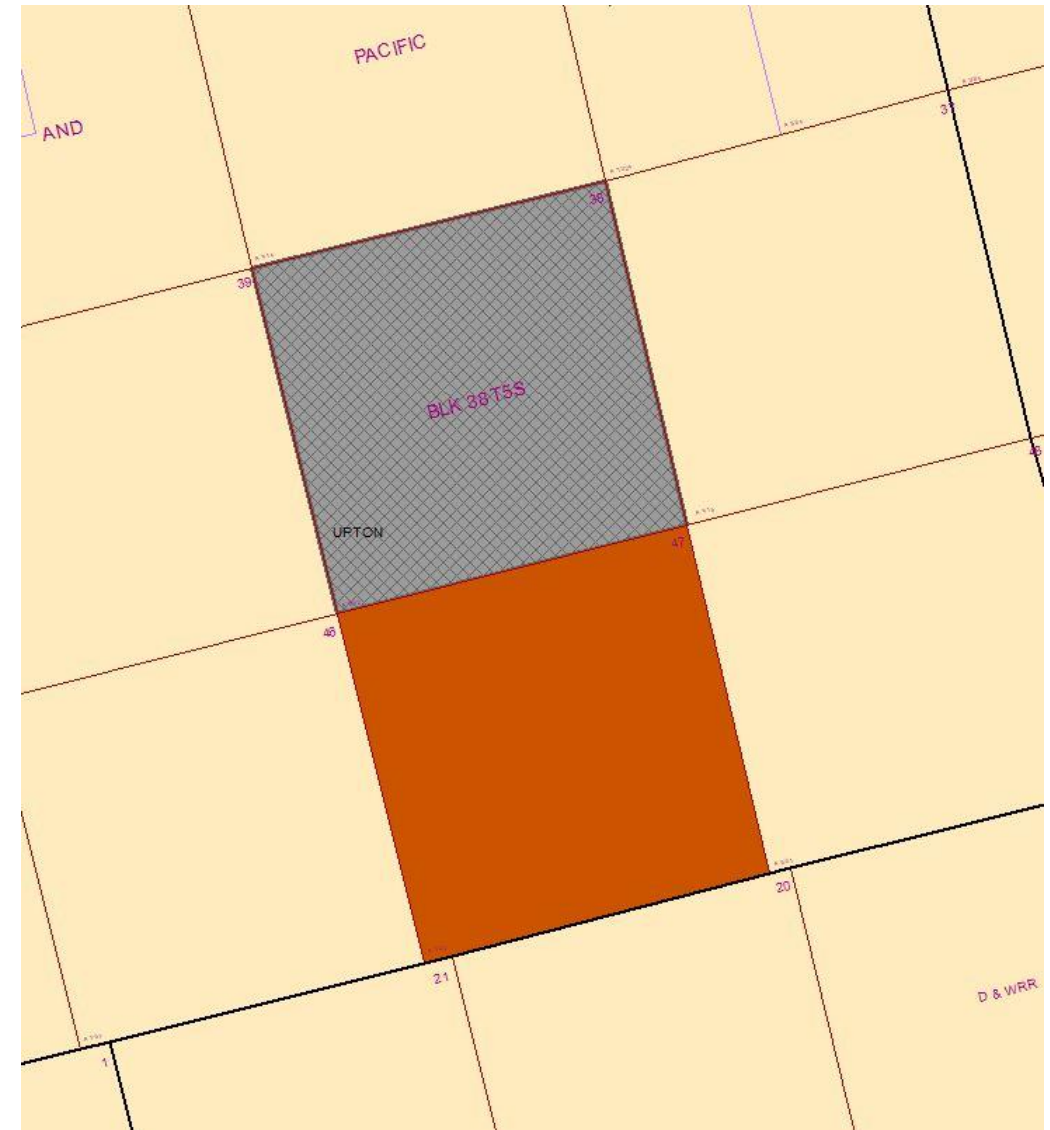
We will add an ownership interval into the Allocation or PSA developmental setup

ALLOCATION/PSA WITH INTERVALS (2 of 10)



Depicted to the right is the surface acreage footprint of an allocation development.

- The burnt orange tract represents full interval rights.
- An ownership interval of 8,000 feet to the bottom of the field exists in the grey tract
 - The cross hatching represents the existence of an interval.

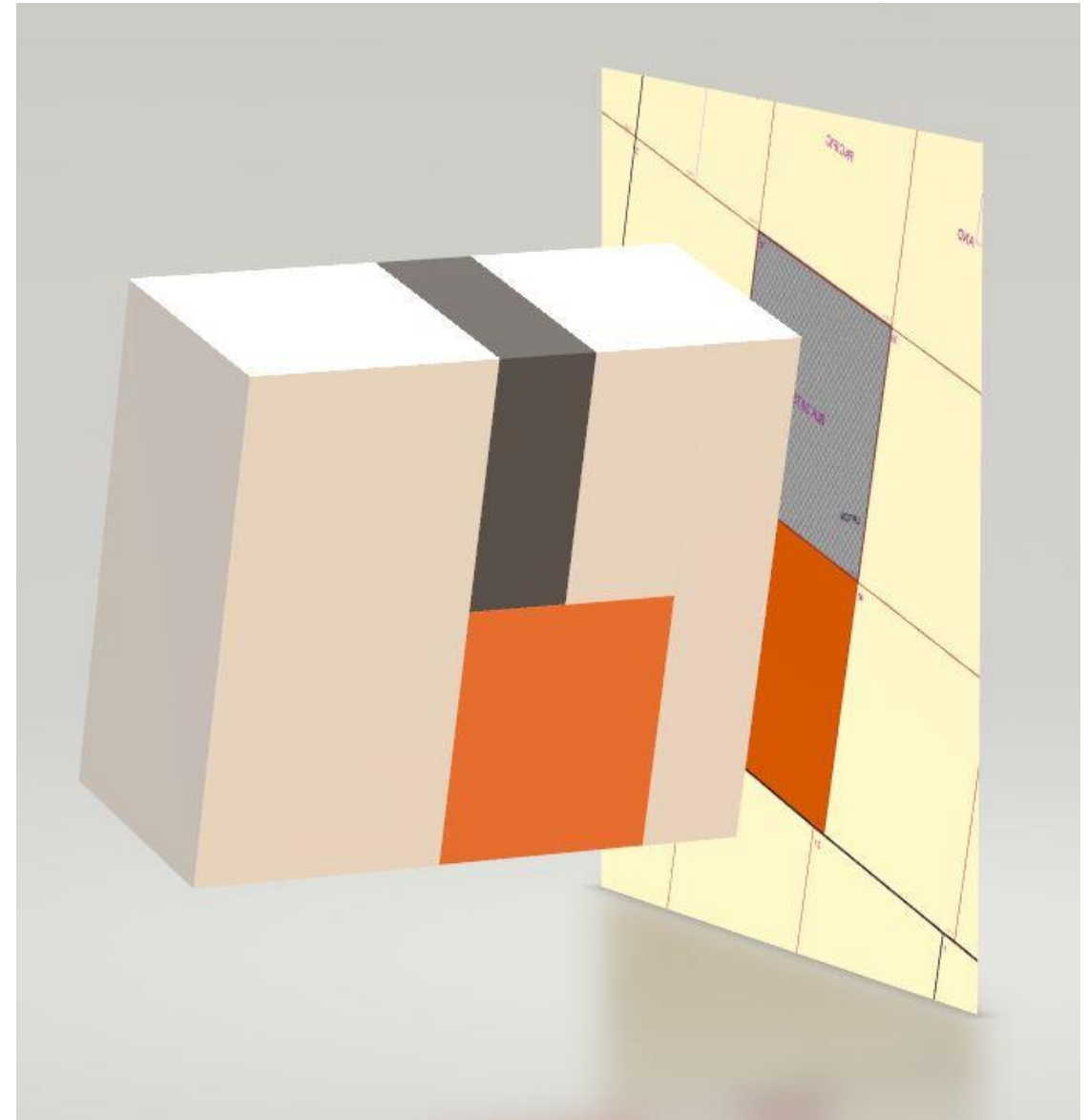


ALLOCATION/PSA WITH INTERVALS (3 of 10)



What does this look like underground ?

- The orange block represents the full interval rights tract.
- The grey block represents the tract with an ownership interval.
- The white blocks do not apply for two reasons:
 - 1) They exist above and below the regulatory field interval
 - 2) They exist within depth intervals that are outside the stated ownership for the grey tract.



ALLOCATION/PSA WITH INTERVALS (4 of 10)



Burnt Orange lease = Full Interval Rights

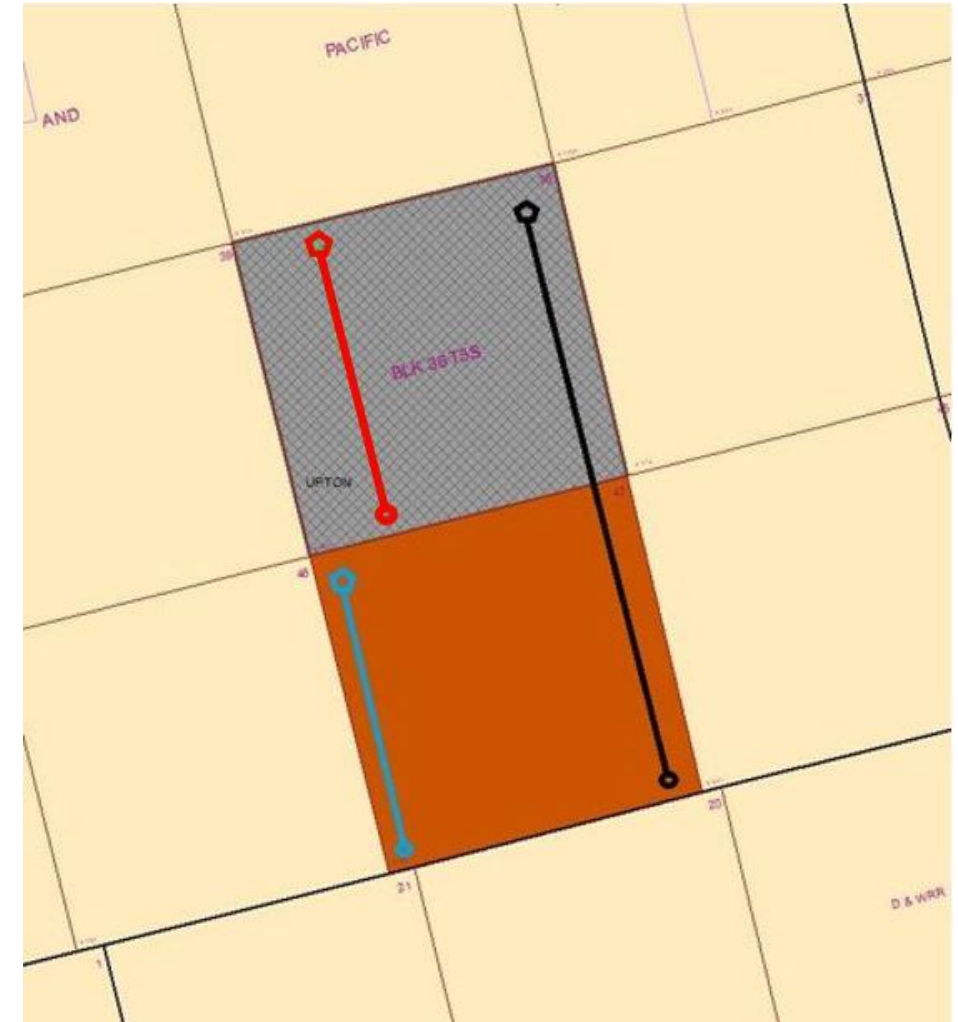
Grey Lease = 8,000 – 999,999

The black well is the proposed allocation well at a depth of 9,000.

- This depth allows both tracts to be used because the well is within the ownership rights as stated by the filer with the severance information.

The blue well is well drilled in the Burnt Orange lease and is at a depth of 7,000 feet in the same field.

- This well is included in the well count, and Rule 38 considerations because full interval rights exist that lease

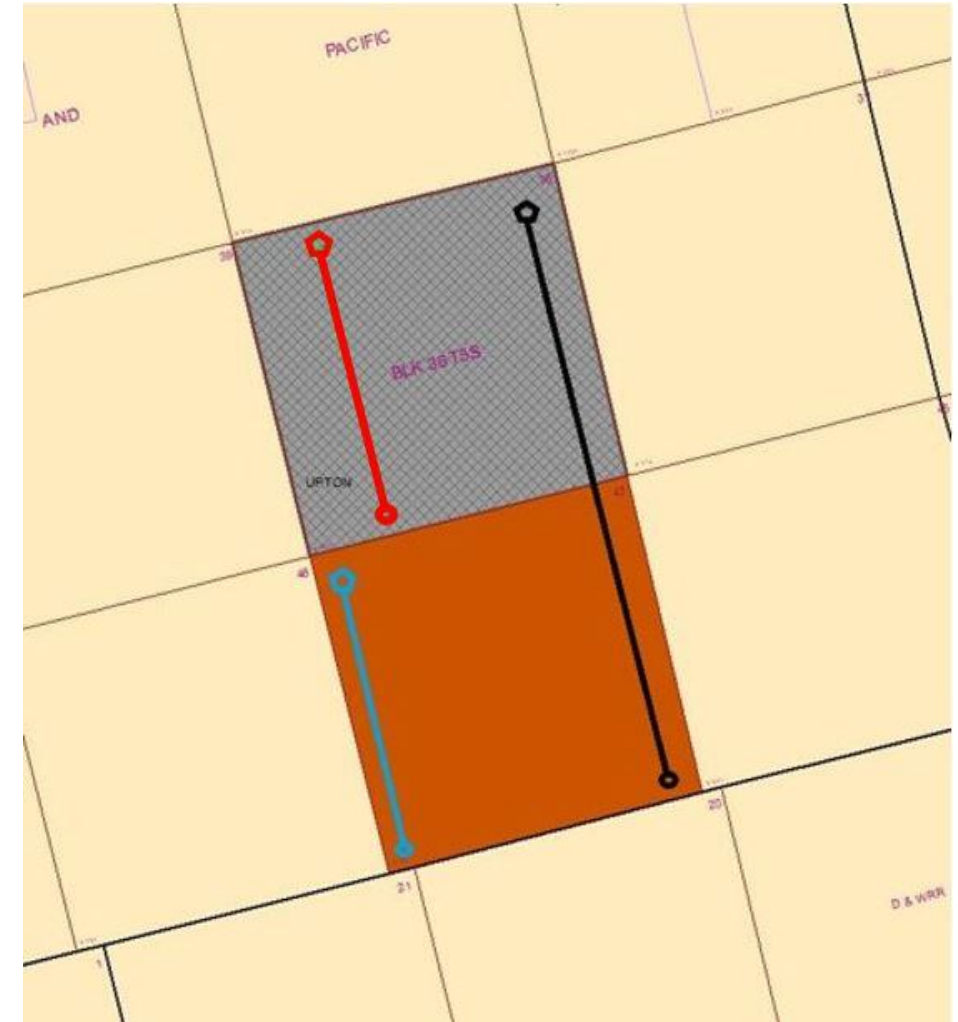


ALLOCATION/PSA WITH INTERVALS (5 of 10)

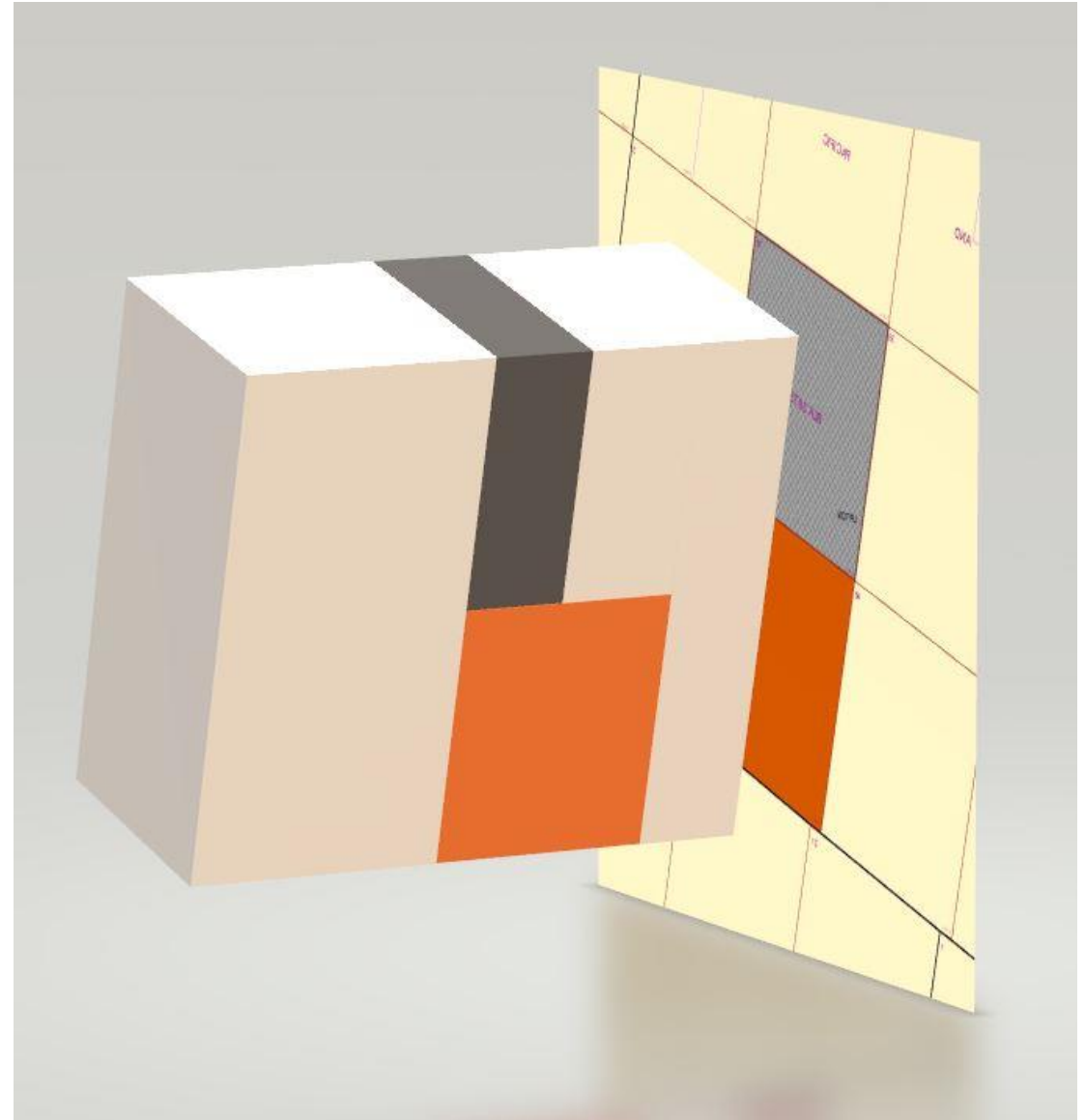
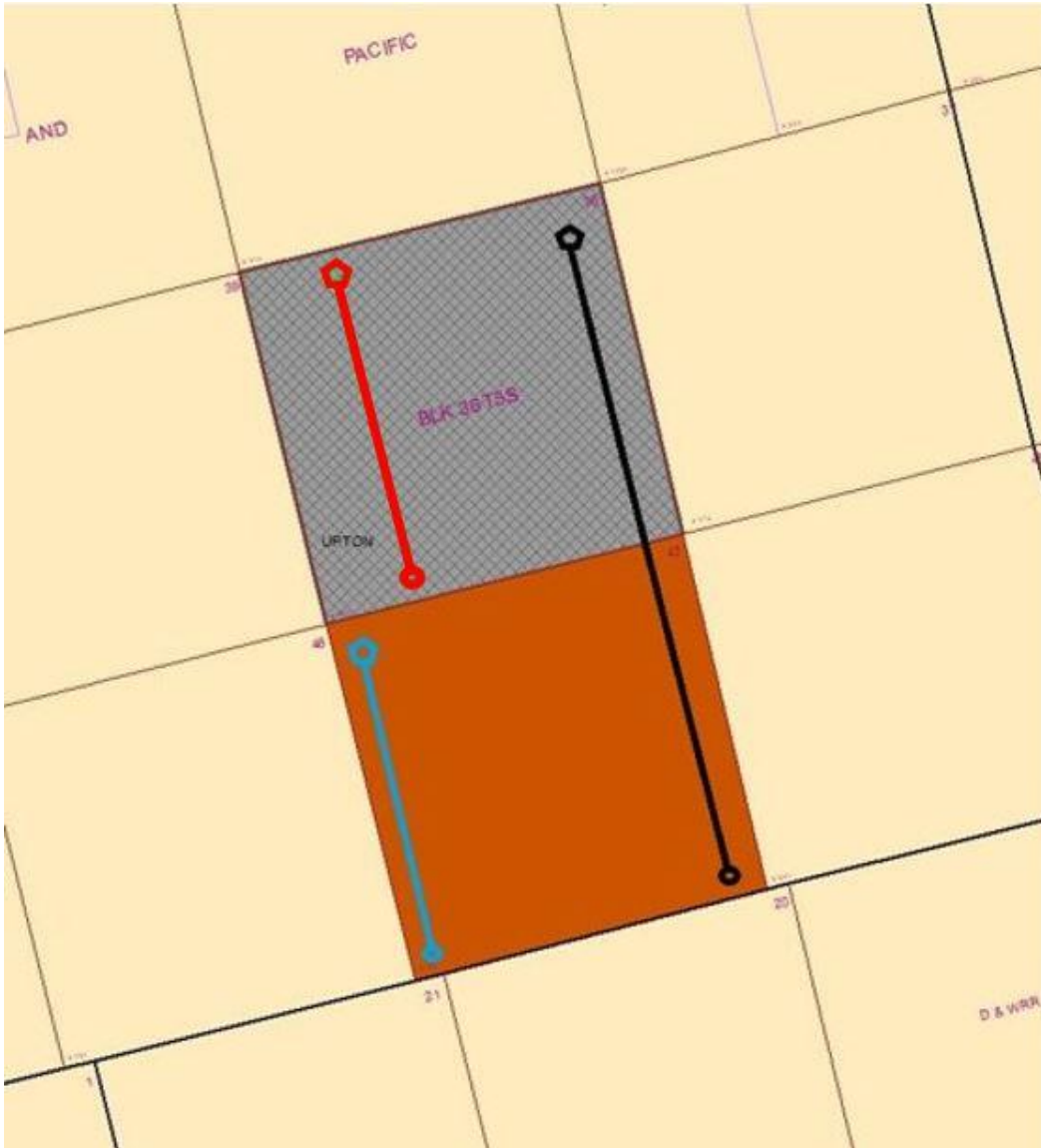


Burnt Orange lease = Full Interval Rights
Grey Lease = 8,000 – 999,999

- The Green well is well drilled in the same field at a depth of 7,000 feet, in a different ownership interval.
 - This would create a shallower lease above the Grey lease's interval
- Due to this, the green well is NOT included in the well count or for Rule 38 considerations
 - It does not have any production within the stated ownership rights for the proposed allocation well.



ALLOCATION/PSA WITH INTERVALS (6 of 10)



ALLOCATION/PSA WITH INTERVALS (7 of 10)



Burnt Orange lease = Full Interval Rights
Grey Lease = 8,000 – 999,999

The Red well is another allocation well at a depth of 10,000 feet, is in the same field, and uses the grey tract in its respective developmental acreage.

Although not in the orange tract, this well is still included in the well count and for Rule 38 considerations because it has production within the deep rights of the Grey tract, which is being used with the example Allocation well.



ALLOCATION/PSA WITH INTERVALS (8 of 10)



- Surface acreage assigned to the Red well, will be accounted for out of the grey tract acreage, regardless of the operator, and provided it is in the same field.
- On the P-16, for the grey tract's column in Section VI, only the amount of acreage being held from the grey tract will be listed.
- Even if the well is operated by a different operator, it will still be counted.



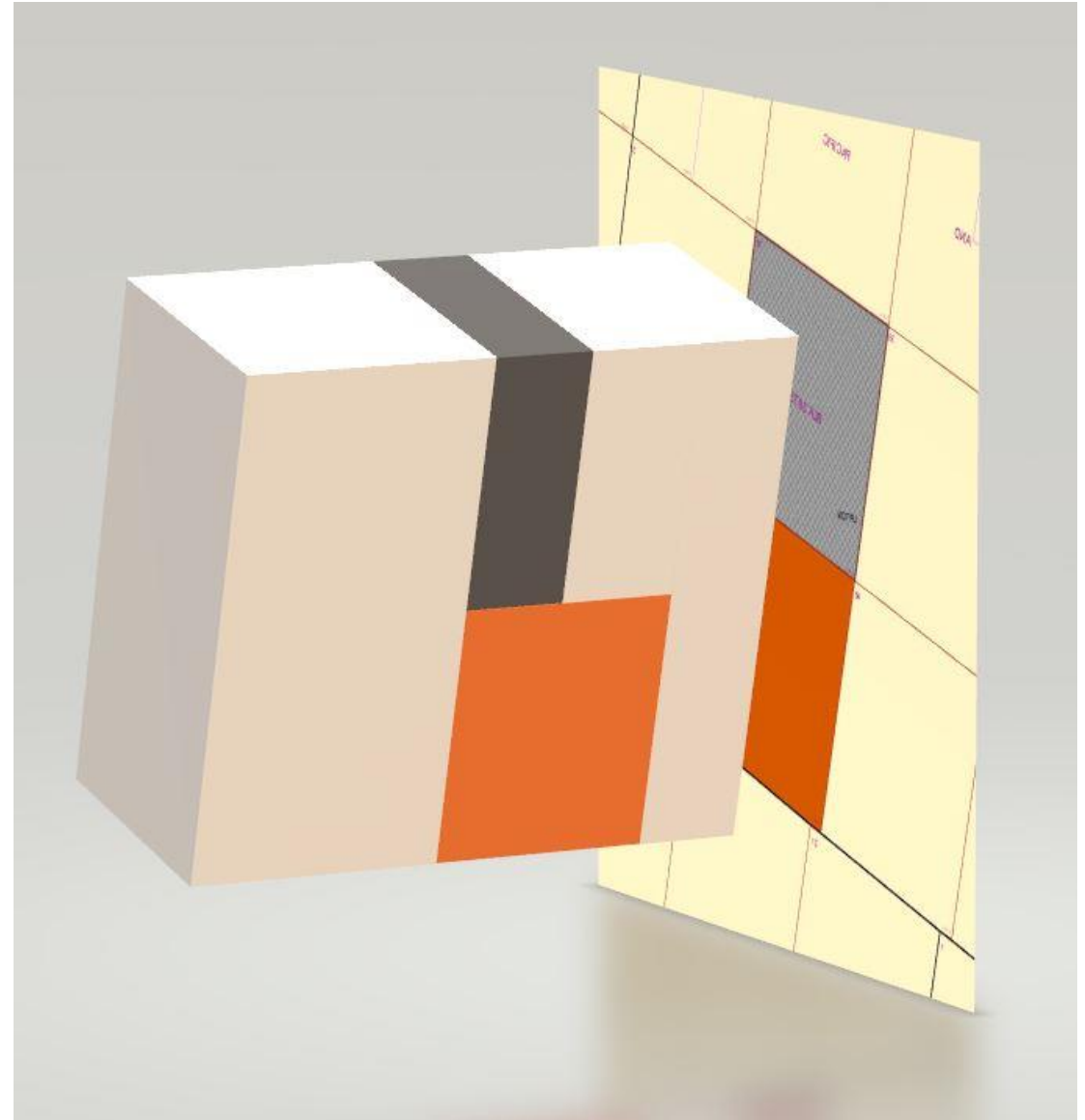
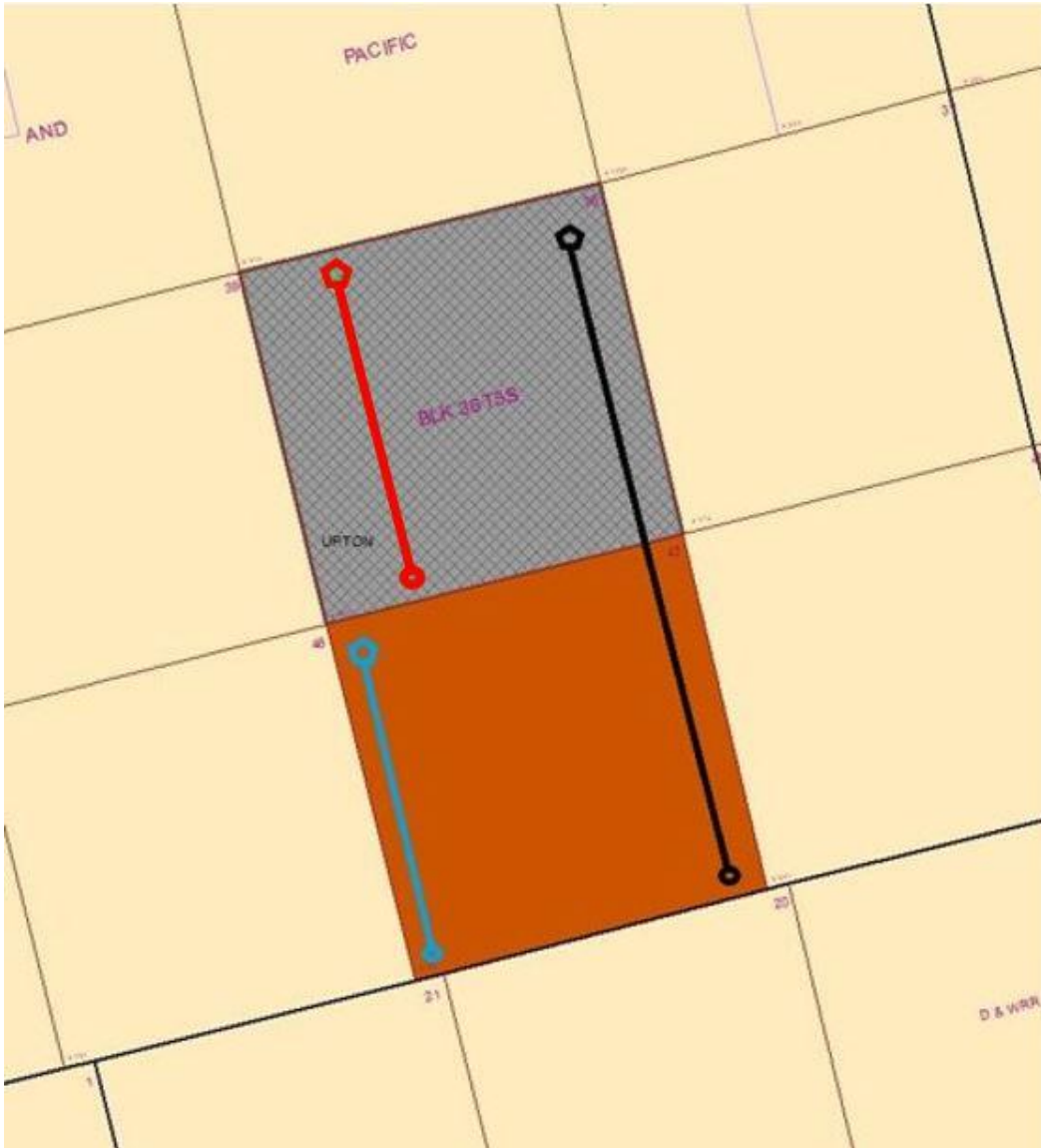
ALLOCATION/PSA WITH INTERVALS (9 of 10)



- Surface acreage assigned to the Red well, will be accounted for out of the grey tract acreage, regardless of the operator, and provided it is in the same field.
- On the P-16, for the grey tract's column in Section VI, only the amount of acreage being held from the grey tract will be listed.
- Even if the well is operated by a different operator, it will still be counted.



ALLOCATION/PSA WITH INTERVALS (10 of 10)





If seeking an exception to SWR 40(e)(2):

- **Account for any ownership intervals within the developmental tracts being listed in Section V of the P-16.**
- **Any intervals that exist will be listed in Section V of the P-16.**
- **You will NOT use the ownership interval boxes in Section II of the P-16.**

ALLOCATION AND PSA : P-16 INFO (2 of 2)



If all developmental tracts listed in Section V of the P-16 have the same ownership intervals, then you will enter that exact interval on the W-1.

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 PURPOSES OF SECONDARY RECOVERY						
RRC ID No., Lease No. or Tract ID		Lease Name	Beginning Lease Acres	Ownership Interval (Upper)	Ownership Interval (Lower)	Operator Name and Operator No. (if different from filing operator)
A	Tract 1	Tract 1	500.000	0	9500	
B	54678	Apple	754.000	0	9500	
C	New	Texas Rangers	42.000			
D	New	Champions	1687.000	0	9500	
E	Tract 5	Tract 5	35000.000			
F						
G						
H						
Total Acreage =			37983.000			

COMPLEX SCENARIOS



Let's solve some puzzles



ALLOCATION/PSA P-16 : MULTIPLE INTERVALS (1 of 4)



What do you do if there are multiple intervals listed in Section V that are not the same?

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 PURPOSES OF SECONDARY RECOVERY

	RRC ID No., Lease No. or Tract ID	Lease Name	Beginning Lease Acres	Ownership Interval (Upper)	Ownership Interval (Lower)	Operator Name and Operator No. (if different from filing operator)
A	Tract 1	Tract 1	500.000	8000	99999	
B	54678	Apple	754.000	0	10000	
C	New	Texas Rangers	42.000	8750	10500	
D	New	Champions	1687.000			
E	Tract 5	Tract 5	35000.000	8500	9750	
F						
G						
H						
Total Acreage =			37983.000			

ALLOCATION/PSA P-16 : MULTIPLE INTERVALS (2 of 4)



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 PURPOSES OF SECONDARY RECOVERY

RRC ID No., Lease No. or Tract ID		Lease Name	Beginning Lease Acres	Ownership Interval (Upper)	Ownership Interval (Lower)	Operator Name and Operator No. (if different from filing operator)
A	Tract 1	Tract 1	500.000	8000	99999	
B	54678	Apple	754.000	0	10000	
C	New	Texas Rangers	42.000	8750	10500	
D	New	Champions	1687.000			
E	Tract 5	Tract 5	35000.000	8500	9750	
F						
G						
H						
Total Acreage =			37983.000			

- Choose the deepest value from the Upper column for the W-1 Upper Value
- Choose the shallowest value from the Lower column for the W-1 Lower Value

ALLOCATION/PSA P-16 : MULTIPLE INTERVALS (3 of 4)



The W-1 ownership interval value for this example is:

8750 - 9750

Ownership Interval (Upper)	Ownership Interval (Lower)
8000	99999
0	10000
8750	10500
8500	9750

- Ownership rights do not exist above 8750 in the Yellow Tract
- Ownership rights do not exist below 9750 in the Green Tract
- Although other tracts have ownership above or below these values, 8750-9750 is the only interval for which ownership exists in all developmental tracts



Although the W-1 ownership interval will show:

8750 - 9750

Ownership Interval (Upper)	Ownership Interval (Lower)
8000	99999
0	10000
8750	10500
8500	9750

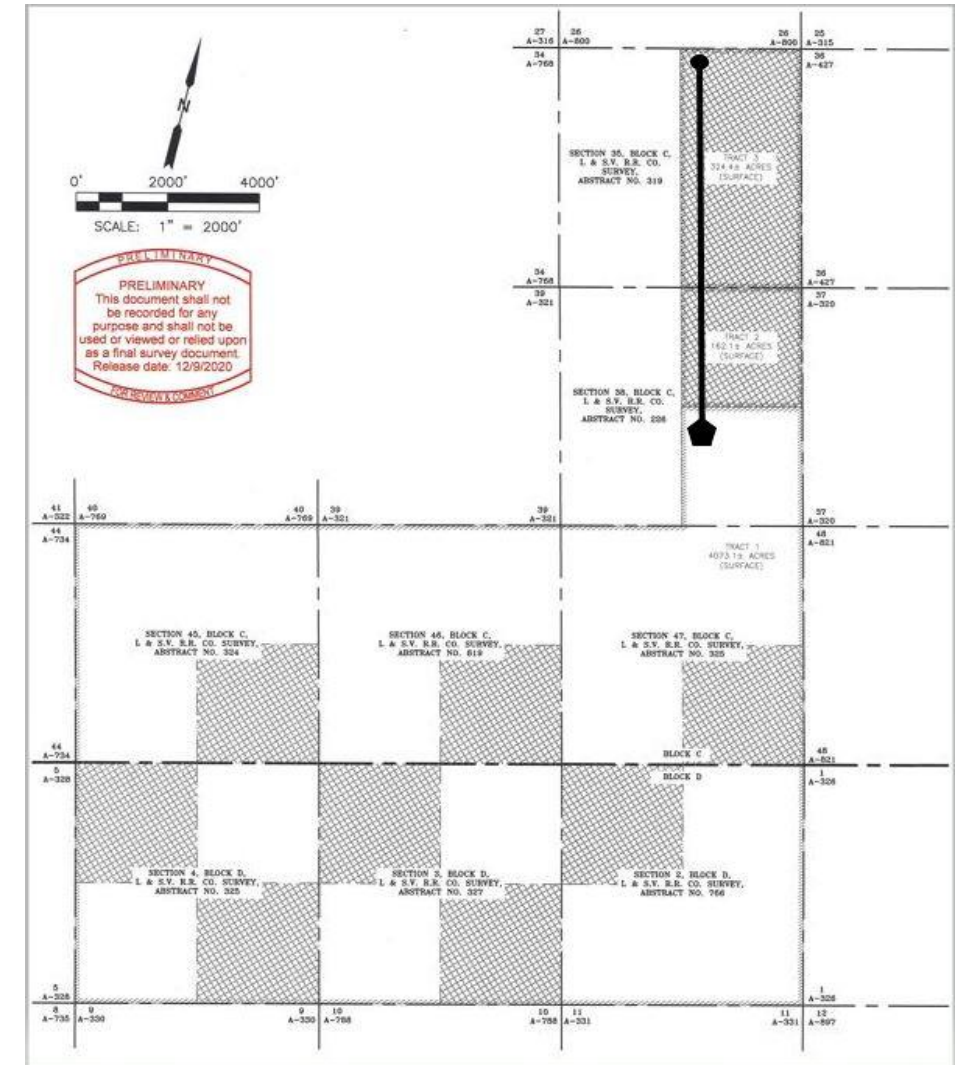
- Staff will add an “informative restriction.”
- Not bound by W-1 interval, which is procedural.
- Section V controls the intervals you may drill under each developmental tract.

COMPLEX ALLOCATION/PSA EXAMPLES (1 of 5)



The image shows the surface acreage footprint of an Allocation well with three developmental tracts:

- The cross-hatching represents the existence of severed rights due to a division of ownership.
- The ownership interval conditions of each lease are described on the next three slides.
- Proposed well is shown in black.
- This is a true example from a W-1 that was submitted and reviewed.



COMPLEX ALLOCATION/PSA EXAMPLES (2 of 5)



The red developmental tract :

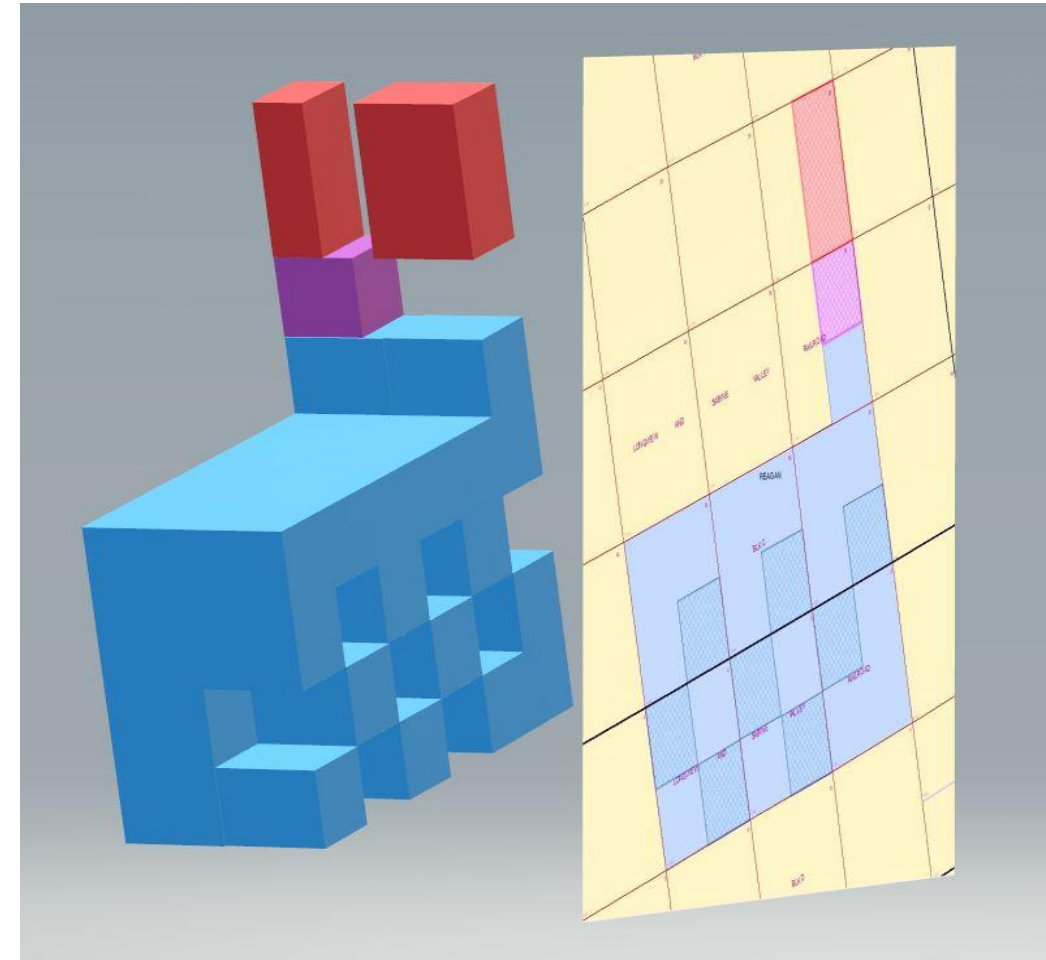
- 0 – 8,000 and 8,383 – 999,999

The purple developmental tract :

- 8,100 – 999,999.

The blue developmental tract :

- Is a single lease that contains 8 areas where there is a severance.
- This is not a pooled unit.



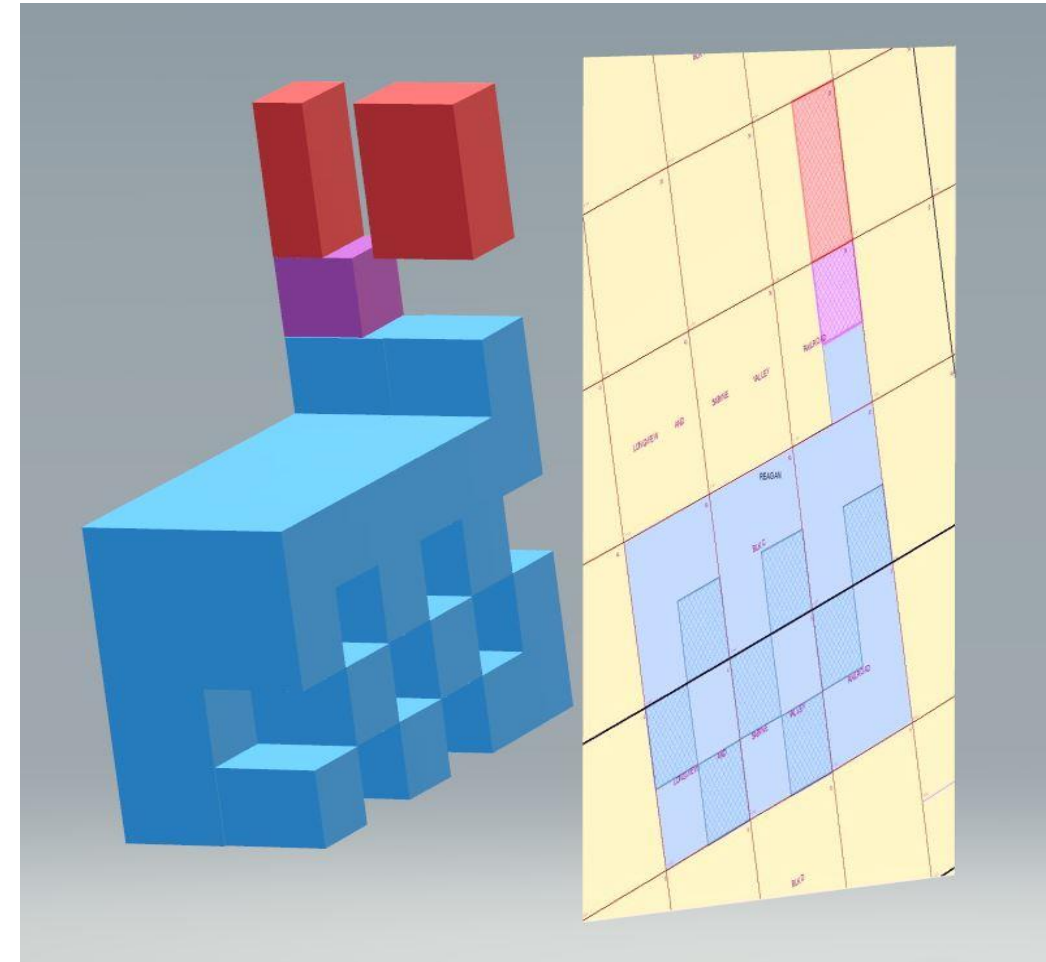
COMPLEX ALLOCATION/PSA EXAMPLES (3 of 5)



The Upper Value of the ownership intervals in each of the depressions are:

- - Section 2 NW: 8295
- - Section 3 NW: 8323
- - Section 3 SE: 8363 *
- - Section 4 NW: 8396
- - Section 4 SE: 8195
- - Section 45 SE: 8363
- - Section 46 SE: 8342
- - Section 47 SE: 8293

The value with an asterisk is discussed on the next slide.



HIGHLY COMPLEX ALLOCATION/PSA EXAMPLES (4 of 5)



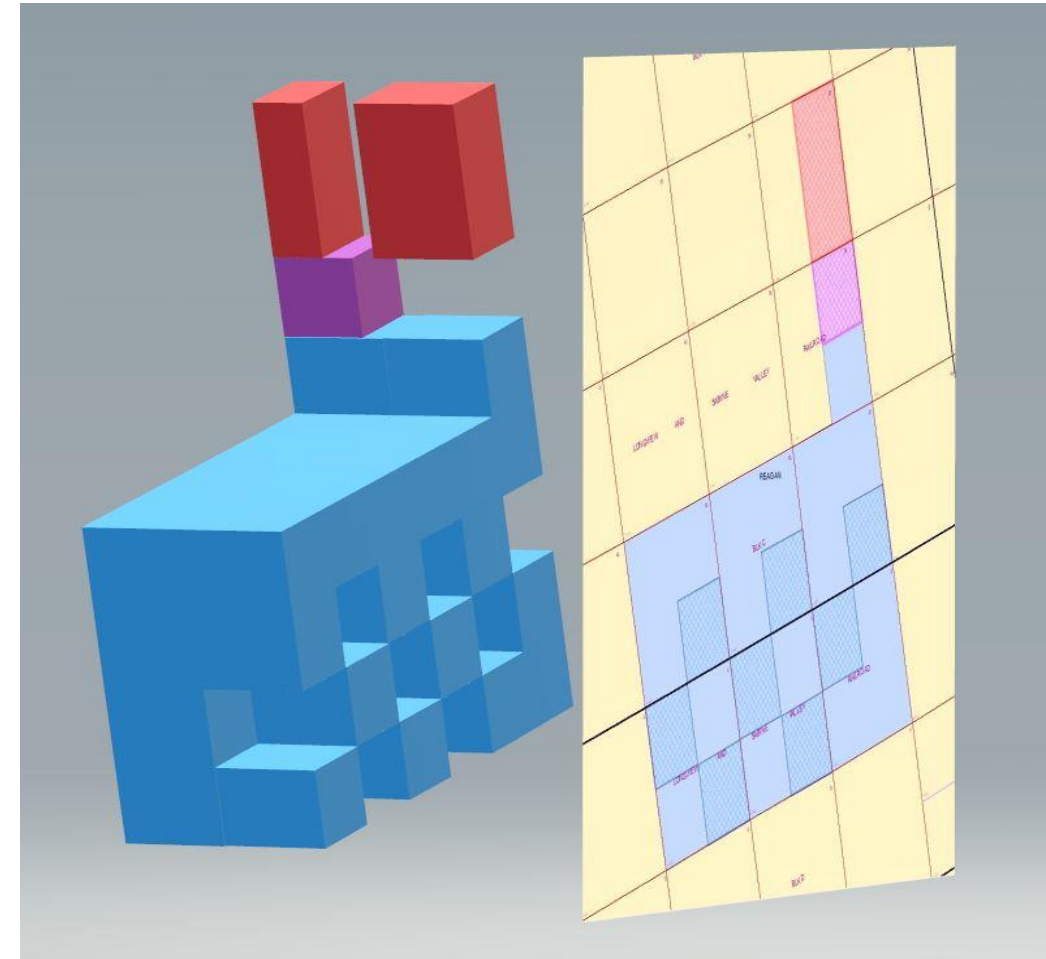
The well is passing under the Red, Purple, and Eastern portion of the Blue lease.

It will be subject to:

- Deep Red Interval
- The Purple Interval
- Must be deeper than the interval in the SE corner of Section 3 under the Blue

Interval for Blue will be reported with a comment in Section IV of the P-16.

- It will not be listed in Section V.



HIGHLY COMPLEX ALLOCATION/PSA EXAMPLES (5 of 5)

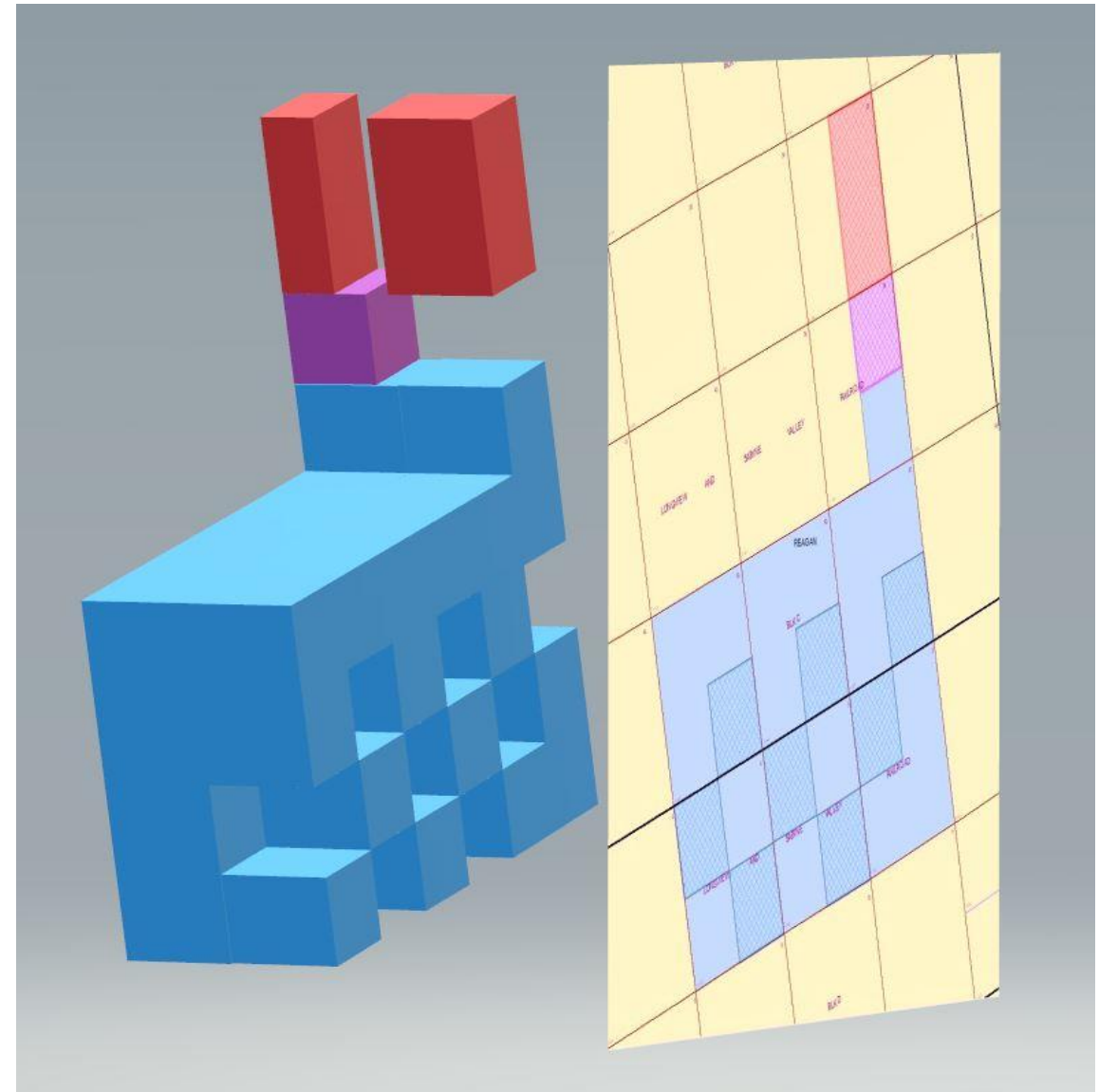


The interval on the W-1 will be reported as the Deep Red Interval.

Staff will add an Information restriction to address the varying intervals.

Section V will control the Red and Purple intervals.

Informative restriction will control the Blue interval.





What do you do for a very large lease where the interval is based on the geologic formation boundary?

Example:

- **Lease is 35,000 acres.**
- **Interval based on boundary between two formations.**

The interval may be change from West to East.

- **Due to stratigraphic sloping of the formation boundary.**



FILER'S RESPONSIBILITY

- A comment **MUST** be added to the W-1 stating that the interval is based on a formation boundary.
- Explain which area of the lease that the slope trends towards:
 - Deeper in the West and Shallower in the East
 - Or the reverse
- If the comment is not added, you will be subject to a problem email from the W-1 if the intervals differ due to sloping.



Staff will add an “informative restriction” that references:

- The areal extent of the lease**
- Ownership is based on the formation boundary**
- Stratigraphic sloping creates different intervals within the extent of the lease**
- This comment will feed over to the completion packet and provide visibility for the completion analyst.**



This process should be used for very large leases.

If the interval is not based on a formation boundary, this process will not apply.

- Single section leases and Allocation/PSA wells using single section tracts may not be applicable.**

Contact Drilling Permits for questions on Case-by-Case situations

FINAL THOUGHTS (1 of 4)



- **SWR 40 allows for the double assignment of surface acreage to leases that are created due to a horizontal division of ownership.**
- **Rule 38 acreage reviews and Well Counts will be specific to the lease, field, and ownership interval.**
- **The lease assumes a three-dimensional component and will not account for any other well that is outside this three-dimensional shape.**

Any well that does not exist within the stated ownership interval (and within the same regulatory field):

- **Will not be included in the well count**
- **Will not be considered for:**
 - **Rule 37 between well spacing**
 - **Rule 38 density calculations**
- **Will no be listed on the P-16 for the proposed acreage and ownership interval.**

RRC will attach a SWR 40(e)(2) approval letter.

- **This letter is the actual approval for your SWR 40(e)(2) request**

If there is no double assignment of the surface happening, then the approval letter will not be attached.

- **You may still show ownership interval values on the W-1 as a matter of record.**
- **You will need to follow notification procedures in this case.**
- **The P-16 can reflect the values without the W-1 info if no double assignment is happening, as a matter of record.**



- Interval information is only required if you are seeking an exception to SWR 40(e)(2).
- Ownership interval information is provided by the applicant, based on information in the mineral lease agreements, and is only reviewed by the RRC.
- The RRC does not have regulatory authority over the mineral lease agreements.
 - We assume the information provided is true and correct.

CONTACT INFORMATION



Drilling Permit Main Phone Line	512-463-6751
General Questions (and corrections not related to a problem email)	drillingpermits-info@rrc.texas.gov
Publisher's Affidavits and Tear Sheets	SWR37@rrc.texas.gov
General Hearing Requests and Complaints (NOT resulting from a protest problem email)	OGHearingRequest@rrc.texas.gov
Protest Hearing Request (resulting from a protest problem email)	SWR37@rrc.texas.gov (or reply to the problem email)
Problem Responses	Reply to the problem email that was received
Manager: David King	David.King@rrc.texas.gov

THANK YOU

