

# **TERMINOLOGY-WELLBORE**

HORIZONTAL WELL- A well that contains 5 main parts: a) surface location b) penetration point c) first take point d) last take point, and e) terminus location.

HORIZONTAL DRAINHOLE- Portion of the horizontal wellbore including, and between, the first and last take point.

TAKE POINT- Any open point on a horizontal wellbore that allows hydrocarbons to flow.

# **TERMINOLOGY-EXCEPTIONS**

- OFFSET- Refers to the operator, lessee, or un-leased mineral owner of a tract that is adjacent to the lease/unit the application is being applied for or to an interior unleased tract.
- WAIVER- A letter signed by an identified offset. In that letter the offset is requested to waive their right to protest the granting of the needed exception to a Statewide or Field Rule.
- AFFECTED PARTY- Determined by Statewide or Field Rules and reason for the notification or exception.

# UNDERSTANDING "PERPENDICULAR"

- For SWR 5 purposes the plat must show the perpendicular call 90 degrees from the lease line, to the part of the well being identified.
- For SWR 37 purposes the plat must show the perpendicular call 90 degrees from the productive part of the well to the lease line.
- In some instances, the distance identified could be the same, however, this is not always the case.

# LEASE LINE CALLS



- There is a difference between "lease line calls" and "nearest perpendicular calls."
  - Geographic Reference vs Spacing Verification
- "Lease Line calls" are geographic reference calls and are not always spacing calls.
- The lease line calls "CAN" be used for spacing, if at least one of them is the nearest distance.



- Lease Line perpendiculars are two non-parallel lease line calls.
  - The lease line calls show on this slide are the two non-parallel perpendicular lease line distances (geographic reference calls)
  - Although perpendicular is in the name, these are not necessarily used for determining if a Rule 37 is needed.
- While one of these calls 'could' also double as a 'nearest lease line distance' (spacing verification), they won't always be.
  - If neither of the two geographic reference calls can be used as a 'nearest lease line' (spacing verification), you will need those added.

#### **"PERPENDICULAR" EXAMPLE**



The distances circled in red satisfy the SWR 5 requirements of calls from the lease line to the part of the well being described. The distances circled in blue satisfy SWR 37 requirements to show that the well complies to spacing rules by showing distance from a take point to the lease line for those fields that have "Special" horizontal field rules.

- Rule 5 Lease line requirements:
  - Survey perpendiculars are two non-parallel survey line calls.
    - You cannot call to a survey line corner.
      - If you are calling to a survey corner, do not use either of the two other lines coming off of that corner, for the second call.
        - The corner is a point along a line, and the calls need to be made to separate lines.
    - These calls must come off the survey lines at 90-degree angles.
      - These calls do not need to meet the well location at 90 degrees.
      - If these meet the well's location at a 45-degree angle, for example, that will be ok so long as they come off the referenced survey lines at 90 degrees.
        - There may some exceptions due to an irregular shaped survey section. It you find yourself in one of these areas, do your best to make these calls as close to 90 degrees as possible.
    - Survey line extensions are allowed. (Lease line extensions are NOT allowed.)
  - These calls are for Rule 5 compliance on the plat. They will reference location within the lease.

#### - The blue circle distances are for Rule exception determination:

- If either of the two Rule 5 lease line calls (for any well point) are not the nearest lease line distance as it pertains to Rule 37 spacing verification, then that additional nearest call needs to be added.
- These distances will be tied to the WELLBORE at 90 degrees and may tie to the lease line at an angle.
  - The distance to nearest lease line is to be determined from the producing portion of the wellbore:
    - The producing portion of the wellbore is identified as the following:
      - Vertical Wells: The well's mapped location.
      - Directional Wells: The BHL (Terminus) of the wellbore.
        - Do NOT use the distance from the SHL.
      - Horizontal Wells: The nearest point along the producing segment (FTP through and including the LTP).
        - Do NOT use the distance from the SHL, PoP, or BHL unless the FTP or LTP is located at the same spot as one of these locations.
    - For Allocation and PSA permits, the nearest lease distance should reference the distance to the nearest external lease line, and not the boundary of any tracts involved with the developmental acreage.
    - If the regulatory field contains dual lease line spacing there will be a box for the nearest heel/toe distance from a take point to a lease line, and the nearest perpendicular distance from a take point to a lease line.

# NEAREST PERPENDICULAR ILLUSTRATION

In this image there are three call distances shown.

- Two geographic lease line calls.
  - Arrows to the North Lease line and the West lease line.
- One Nearest perpendicular distance call.
  - Arrow to the North lease line that hits at an angle.

The North and West calls will be used for the two geographic reference calls.

• These are the two "lease line calls."

The North lease line call (geographic call) will ALSO be the nearest heel/toe distance. The call that hits the north lease line at an angle is the nearing perpendicular distance.

• These are the two "spacing verification calls"

# **NEAREST HEEL/TOE ILLUSTRATION**



In this image there are three call distances shown.

- Two geographic lease line calls.
  - Arrows to the North Lease line and the West lease line.
- One Nearest perpendicular distance call.
  - Arrow to the North lease line that hits at an angle.

The North and West calls will be used for the two geographic reference calls.

These are the two "lease line calls."

The North lease line call (geographic call) will ALSO be the nearest heel/toe distance. The call that hits the north lease line at an angle is the nearing perpendicular distance.

• These are the two "spacing verification calls"

#### NOTIFICATION



#### COMMISSION IS RESPONSIBLE

- The Railroad Commission will generate and distribute to all identified parties the applicant has provided for on the service list for a SWR 37 or SWR 38 exception.
- If a notice is returned the Railroad Commission will send out a Supplemental Notice to the new address the applicant must provide.

#### **OPERATOR IS RESPONSIBLE**

- The applicant will send out to affected parties for any request for an off-lease penetration point. Field Rule requirements must be adhered to. The applicant must wait for the prescribed period before submission of the permit application.
- Any party identified for a SWR 40 exception request

## **PENETRATION POINT PUBLICATION**

- Under SWR 3.86 the standard publication is for 4 consecutive weeks.
- Some fields have undergone a hearing to change the publication to 2 consecutive weeks.
- Field rule requirements must be adhered to.
  - Some fields have been updated and require additional information in the notice.

# **RESOLUTION TO EXCEPTIONS**



- Resolution is Own Offset or signed Waivers have been attached to filing.
- 21-Day Notice of Application has termed out and no protests have been received.
- Submitting the Publisher's Affidavit once the publication has run.

## AMENDED APPLICATIONS

When filing an amended application with a previously approved exception:

- Provide all service lists, waivers, and/or publisher's affidavits that resolved any prior exceptions.
- Select the same resolution methods that previously resolved the exception.
- Add a comment requesting no additional notification
  - This is a request and will be reviewed by RRC DP staff
  - An additional notification may still be required based on the review

# **REASON FOR RE-NOTIFICATION (1 of 2)**

- New regulatory field on amended W-1.
- Producing points have moved closer to a lease line, and are not covered by subsurface tolerance
  - Heel/toe spacing is NOT covered by subsurface tolerance, only perpendicular spacing is covered (lateral drift)
- A new point of exception has been created with the amendment
- Offsets were not included on the previous service list

If an amended W-1 is submitted that was previously approved with an exception resolved through notification or publication:

- it may not be necessary to serve notice again
- the previous resolution still needs to be accounted for

If you are in this position, please add a comment to the W-1 that states you are requesting that additional notification is not required.

- This is a request; it is not a guarantee that notice does not need to be done again.
- The Drilling Permit team will review the conditions on the previous approval and on the amendment.
  - If conditions allow for no additional notice, it will be administratively approved accordingly.
    - If a comment requesting no additional notification is not added to the W-1, we will send it over to the Notice of Application Queue for an additional notice to be generated.

When this occurs, you are still required to do the following:

- Add a comment requesting no additional notification, as mentioned above.
- Select the SAME resolution methods on the Exceptions tab that the previous approval had.
- Attach the Service List from the previous notification

- This will be your .CSV service list, not the RRC generated Certified List
- If publication was done, attach the publisher's affidavit and tear sheets from the previous approval

If document are missing that resolved the previous exception and you have requested that no additional notification is needed, then you will be sent a problem letter so that we can obtain the missing documents.

#### Here are some situations that will require additional notification:

- New tracts are added to an allocation/psa development that create a new point of exception.
- Well is moving closer to a lease line that it was previously exceptional to
  Prior to drilling
- Well was drilled closer to a lease line than initially permitted and is not covered by the subsurface tolerance
  - After drilling
- Heel/toe distance is now closer to the lease than previously permitted.
  - This can occur either before or after drilling
  - Heel/toe distance is NOT covered by subsurface tolerance
- Offsets were not included in the initial notification, and this was identified after the permit approval

There are other situations that can require additional notification; however, these are the most common ones.



issuance date.

# **OFFSET REMINDER**

- "Please label the affected offsets on the plat."
- This is THE most common problem sent from a W-1.
  - It is also one of the easiest to avoid.
- Check that your offsets are properly labeled.



# STATEWIDE RULE 37 & 38



# Overview

- Triggers
- Non-Perforation Zone (NPZ) Requirements
- Drilling Permit Exception Checks
- Plat Requirements
- SWR Resolutions & Notification Parameters
- NOA by Publication Requirements

# STATEWIDE RULE EXCEPTIONS



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			NULES	<b>5 5 1 A 1</b>		<b>VUES</b>	
					Field Rules	for Field: WIL	DCAT
				Field	Number: 0000	02001 Distr	rict Name: 01
Oil Field Rules							
County Reg	ular: N S	alt Dome: N Fi	ield Location:	LAND Don't Pe	rmit: N		
Schedule Rem	and co						
	arks:						
Comm							
		Lease Spacing	Well Spacing	Acres per Unit	Tolerance Acres	Diagonal Code	Diagonal Max Length
	ents: Depth		Well Spacing 1200	Acres per Unit 40.0	Tolerance Acres 20.0	Diagonal Code	Diagonal Max Length 0
Rule Type	ents: Depth			-		Diagonal Code	
Rule Type	ents: Depth			-		Diagonal Code	
Rule Type Statewide rules	ents: Depth All Depths			-		Diagonal Code	
Rule Type Statewide rules Gas Field Rules	ents: Depth All Depths	467	1200	40.0	20.0	Diagonal Code	
Rule Type Statewide rules Gas Field Rules County Reg	ents: Depth All Depths s: ular: N S	467 alt Dome: N Fi	1200	40.0	20.0 rmit: N	Diagonal Code	
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				Field F	Rules for Field:	SPRABERRY	(TREND AREA)
				Fiel	d Number: 852	79200 Distr	ict Name: 7C
Oil Field Rul	es:						
County R	egular: N	Salt Dome: N	Field Locatio	on: LAND Don'	t Permit: N		
	-	Salt Dome: N LD. EFFECTIVE		on: LAND Don'	t Permit: N		
Schedule Re	marks: FIE	LD. EFFECTIVE	4/12/16.	& LEASE PLAT O			
Schedule Re Com	marks: FIE ments: R3	LD. EFFECTIVE	4/12/16. ,P-15'S,ACLIST	& LEASE PLAT O	R PRO PLAT	Diagonal Code	Diagonal Max Lengt
Schedule Re Com	marks: FIE ments: R3 Depth	LD. EFFECTIVE 4 8 OK W/O DATA, Lease Spacing	4/12/16. ,P-15'S,ACLIST	& LEASE PLAT O	R PRO PLAT	Diagonal Code Corner to Corner	
Schedule Re Com Rule Type	marks: FIE ments: R3 Depth	LD. EFFECTIVE 4 8 OK W/O DATA, Lease Spacing	4/12/16. ,P-15'S,ACLIST Well Spacing	& LEASE PLAT O Acres per Unit	R PRO PLAT Tolerance Acres		
Schedule Re Com Rule Type	marks: FIE ments: R3 Depth	LD. EFFECTIVE 4 8 OK W/O DATA, Lease Spacing	4/12/16. ,P-15'S,ACLIST Well Spacing	& LEASE PLAT O Acres per Unit	R PRO PLAT Tolerance Acres		
Schedule Re Com Rule Type Special Rules	marks: FIE ments: R3 Depth All Depths	LD. EFFECTIVE 4 8 OK W/O DATA, Lease Spacing	4/12/16. ,P-15'S,ACLIST Well Spacing	& LEASE PLAT O Acres per Unit	R PRO PLAT Tolerance Acres		
Schedule Re Com Rule Type Special Rules Gas Field Ru	marks: FIE ments: R3 Depth All Depths	ELD. EFFECTIVE 4 8 OK W/O DATA, Lease Spacing 330	4/12/16. ,P-15'S,ACLIST <b>Well Spacing</b> 0	& LEASE PLAT O Acres per Unit 80.0	R PRO PLAT Tolerance Acres 80.0	Corner to Corner	Diagonal Max Lengt 0
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			Illustration Screen Help		
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<b>Unconventional Fra</b>	cture Treated (UFT): Yes		UFT Effective Date: 05/10/2016		
Correlative Interva	I: From 6865 to 10605 feet		Established by API Number: 32931029		
Dual Lease Line Ta	ce Point Spacing				
First/Last Take Po	oints (Heel and Toe) to L	ease Line: 100 feet			
Perpendicular Spa	cing from All Take Points	s to Lease Line: 330 feet			
Between-Well Spac	ing		Subsurface Tolerance Box: 50 feet		
Horizontal to Vert	ical: 0 feet				
Horizontal to Hori	zontal: 0 feet				
Overlap Distand	e: N/A				
Stacked Lateral Ru	es: Yes (If yes, see Final O	rder for details)			
Special Rule 38 (V	ell Density) Provision				
Upper: 79 acres		Notification Radius: 660	feet		
Lower: 20 acres					
Comments for the	Special Field Rules				
	Special Field Rules				
	T 7C-0291171 CONTAINS T	THE SAME INFORMATION AS	7C-0291169.		

# WHAT AREN'T TRIGGERS



- Location of my Penetration Point, unless it is also a take point, to a lease line
- An Off-Lease Penetration Point
- An Off-Lease Surface Location
- Correct usage of a Non-Perforation Zone

# **STATEWIDE RULE 37 TRIGGERS**

What Can Trigger a SWR 37 Violation?

- Productive portion of my well is too close to an exterior lease line.
- Productive portion of my well is too close to an interior tract line within my pooled unit that is not completely leased or pooled.
- Productive portion of my well is too close to another well in the same field on my lease.

Rule 37 compliance is based on the nearest distance from the production of the well.

- The distance to nearest lease line is to be determined from the producing portion of the wellbore:
  - The producing portion of the wellbore is identified as the following:
    - Vertical Wells: The well's mapped location.
    - Directional Wells: The BHL (Terminus) of the wellbore.
      - Do NOT use the distance from the SHL.
    - Horizontal Wells: The nearest point along the producing segment (FTP through and including the LTP).
      - Do NOT use the distance from the SHL, PoP, or BHL unless the FTP or LTP is located at the same spot as one of these locations.
  - For Allocation and PSA permits, the nearest lease distance should reference the distance to the nearest external lease line, and not the boundary of any tracts involved with the developmental acreage.
  - If the regulatory field contains dual lease line spacing there will be a box for the nearest heel/toe distance from a take point to a lease line, and the nearest perpendicular distance from a take point to a lease line.
- This distance will be tied 90 degrees to the well and may tie to the lease line at an angle

- If either of the two Rule 5 lease line calls (for any well point) are not the nearest lease line distance as it pertains to Rule 37 spacing verification, then that additional nearest call needs to be added.
- These distances will be tied to the WELLBORE at 90 degrees and may tie to the lease line at an angle.

There may times on an amendment when additional notification for a Rule 37 exception may be required.

Please see the notes on Slide #10 for information on these situations and what to do.

# **RESOLVING WITHOUT AN EXCEPTION**

Non-Perforation Zone OR (NPZ)

NPZ's are sections of wellbore that will not be perforated until the permit is amended to remove the NPZ.

The NPZ is clearly labeled along the wellbore on the plat with a begin and end point.

The length of the NPZ must be clearly shown on the plat.

# **PROPER USAGE OF NON-PERFORATION ZONES (1 of 3)**

- NPZ's can be used for Lease Line SWR 37 exceptions only. NPZ's can't be used for SWR 37 between well and SWR 38.
- NPZ's need to be accompanied by the distance of the NPZ. Rules are different for every field, and we need to make sure you are using the appropriate distance.
- Make sure that if an Allocation or PSA well that the tracts isolating with an NPZ are also marked with ULM to reflect why you are using the NPZ.

# PROPER USAGE OF NON-PERFORATION ZONES (2 of 3)

- The NPZ should be represented ON the wellbore.
- A shaded spacing buffer off the lease line should not be used.
- NPZs are specific to, and placed on, the well path.



An NPZ is a "Non-Perforation Zone." This applies to the wellbore, not to an area around it.

RRC staff have begun to see NPZ represented as shaded areas referenced against the lease lines.

• A shaded area against the lease line can represent your Rule 37 spacing setback, however, it won't represent an NPZ on the wellbore.

To symbolize an NPZ on a plat a different colored section of the wellbore, or small boxes on the wellbore (as seen in the next sequence of slides), to represent the NPZ. This is because the NPZ needs to be represented on the wellbore and needs to be accompanied with distances at the beginning and ending points of the NPZ to show compliance to the Rule 37 spacing for the field.





# NPZ-ISOLATING WHEN PARALLEL W/O SPECIAL RULES



- When your field rules do not provide for dual lease line spacing.
- The example assumes a standard of 467-foot lease line spacing under standard statewide rules.







To permit this well as an allocation using this NPZ, you would need to strategize additional options:

- The plat would need to show production in the left side tract that was not covered by the NPZ, allowing the left tract to be used in an allocation development.
- If you can't show production, then the wellbore would need to b shortened so that it does not go into the left side tract (not even the terminus), and then amended to extend it back
  - Instead of amending to remove the NPZ and send notice, you are amending to extend the wellbore into that acreage and send notice.
  - This keeps the operator in compliance of the Commissioner approved Allocation procedures (9/1/2013).

This situation is not a problem if this was a PSA well, because as long as you have met the agreement percentage requirements for the developmental tracts, then you can use a tract you are producing from.

- Remember, PSA wells require that the operator has obtained at least 65% agreement from BOTH the Mineral AND the Working interests in each developmental tract.
- Provided this caveat has been met (in all tracts) the well can be filed as a PSA well, which will allow it to use a tract that does not have production

from the well.
# DRILLING PERMIT EXCEPTION CHECKS



SWR 37 Lease Line Trigger Checks

- Vertical
- Directional
- Horizontal
- Horizontal with Special Rules

# **STATEWIDE RULE 37 NOTIFICATION- LEASE LINE**



### **Notification Parameters**

- Offsets within the greater of the lease line spacing or 1/2 of the between well spacing.
- Fields with special horizontal rules and between well spacing have the same notice area as above.
- If no between well spacing, the notice area is the same as the lease line spacing.

*Basic Details				_			
Lease name:	MCKNIGHT, M.B.		Well number:	506H Distan	ce to Nearest Leas	e Line from Surface Location	n: 5301.0
Total Acres in the Lease:	5760.0						
	Distance	Direction	Distance	Direction			
Surface Lease Line Perpendiculars:	5304.0 feet	from the SOUTH	line and 8337.0		ST line		
Barlad Markinsol			and Darlack Marshare	(0	terd and a Miller	, 	
Pooled/Unitized:	Check if yes	) Unit	ized Docket Number:	(Rec	uired only if Unit		
	Oil Well	~	Completion Depth:	6040		Distance	to 2525.0



Wellboi	re Profi	le								
Enter A	Abstract Secti tract #:		he Coun	Block:	o-Populate, or fi		RRY, J F / AUSTIN,		nually.	
	Name	Profile		Distance (ft)	Direction		Distance (ft)	_	Direction	
Delete		Dettembale		1117.0 fee	et from the NW	line	and 1354.0	feet	from the NE	line
Delete	BH1	Bottomhole	Lease					_		



Vellbo	re Profi	le								
Add	Additiona	al Terminus Locatio	n							
_										
Nearest	Distanc	e from Any Take	Point to	a Lease Line:	467.0					
Entor	heter	a coloct the	Country	and click Auto	-Populate, or fill i	n Funtar Fart	on and Block		ll.	
Enter /	ADStract	t #, select the t	Lounty a	and click Auto	-Populate, or fill i	n Survey, Secu	on, and Block	manua	iny.	
	Sect	ion: 101		Block: 16		Survey: H&T	C RR CO			
Abs		ion: 101 : A- 123	]	Block: 16 County: HAR	DEMAN V	Survey: H&T			M	
	stract #		]	County: HAR	DEMAN V		C RR CO		M	
	stract #	: A- 123	] location	County: HAR	DEMAN V				M	
Addition	stract #	: A- 123	location	County: HAR			C RR CO		Direction	
Addition	stract #	A- 123 mation about the		County: HAR : Distance (ft)		Auto-Populate	)	feet	Direction from the west	line
Addition	nal inform	: A- 123 mation about the Profile		County: HAR : Distance (ft) 467.0	Direction	Auto-Populate	Distance (ft)			line
Addition	nal inform	: A- 123 mation about the Profile	Lease	County: HAR : Distance (ft) (467.0	Direction feet from the north	Auto-Populate	Distance (ft) and 1512.0	feet	from the west	
Addition	nal inform	A- 123     mation about the     Profile     Terminus Point     Last Take	Lease Survey	County: HAR : Distance (ft) 467.0 467.0	Direction feet from the north feet from the north	Auto-Populate	Distance (ft) and 1512.0 and 1512.0	feet	from the west	line



		HOR	IZ0	NTAL	. : :	SPECIAL	. DU		ASI		
Wellbor	e Profile										
Add	Additional Te	erminus Location									
_											
Nearest	Distance f	rom the First/Last T	ake Point (	Heel/Toe) to a Le	ease Lin	ne: 100.0 Ne	arest Perne	endicular Distance	from Any	Take Point to a Lease Line:	330.0
- Concost	onstance in		une ronne (		core or				i viii raių		
Enter A	bstract #	, select the Count	y and clic	k Auto-Populat	e, or fi	ll in Survey, Section, an	d Block m	anually.			
	Sec	tion: 14	1	Block: C:	20	Sur	vev: PSL/	ANDERSON, LW			
	Abstract	#: A- 4345		County:	EEVES	✓ Aut	to-Populate			M	
		#: A- 4345	on:	County: R	EEVES	► Aut				M	
			on:	County: 🕅	EEVES	• Au				M	
			on:	County: R	EEVES	Aut     Direction		Distance (ft)		Direction	
Addition: Delete	al informat	tion about the locati	Lease	Distance (ft)	EEVES				feet		line
Addition	al informat	tion about the locati	1	Distance (ft)		Direction	to-Populate	Distance (ft)	_	Direction	)ine
Addition: Delete	al informat	tion about the locati	Lease	Distance (ft)	feet	Direction from the[SOUTH	to-Populate	Distance (ft) and 1830.0	feet	Direction from the WEST	
Addition: Delete	al informat	Profile Terminus Point	Lease Survey	Distance (ft) 100.0 ft 100.0 ft	feet	Direction from the SOUTH from the SOUTH	to-Populate	Distance (ft) and 1830.0 and 1830.0	feet feet	Direction from the WEST from the WEST	line



	FIELD RULE	S: DUAL LE	ASE LINE RULES
Special Horizontal I	Field Rules: For informati	ional purposes only. The Fir	al Order controls all field rules.
			Illustration Screen Help
Unconventional Fra	cture Treated (UFT): Yes		UFT Effective Date: 05/10/2016
Correlative Interva	I: From 6865 to 10605 feet		Established by API Number: 32931029
Dual Lease Line Tak	ke Point Spacing		
	oints (Heel and Toe) to L	ease Line: 100 feet	
Perpendicular Spa	cing from All Take Point	s to Lease Line: 330 feet	
Between-Well Spac	ing		Subsurface Tolerance Box: 50 feet
Horizontal to Vert	ical: 0 feet		
Horizontal to Hori			
Overlap Distanc	e: N/A		
Stacked Lateral Rul	es: Yes (If yes, see Final O	rder for details)	
	Vell Density) Provision		
Upper: 79 acres		Notification Radius: 660 fe	et
Lower: 20 acres		Houncation Radius. 000 R	
Lower. 20 acres			
Comments for the	Special Field Rules		
Comments: DOCKE	T 7C-0291171 CONTAINS T	HE SAME INFORMATION AS 7	C-0291169.
and the second s			
History: Final Orde	ers that contain special h	orizontal field rules langua	ge
	inal Order Effective Date		
7c-0291169	12/02/2014 03/08/2016	Click Here	
7C-0297471		Click Here	











# SPECIAL HORIZONTAL FIELD RULES: U-TURN WELL (1 of 2)

"U-Turn" wells or "Horseshoe" wells

- Heel/Toe spacing applies to the end points of the well.
- Perpendicular spacing will apply throughout the curve of the well.
- If the curve is less than 330 feet from the lease line

   An NPZ would be required to cover the full section
   that is less than 330 feet.



# ADDITIONAL OFFSET REMINDER

- "Please label the affected offsets on the plat."
- This is THE most common problem sent from a W-1.
  - It is also one of the easiest to avoid.
- Check that your offsets are properly labeled.



## **STATEWIDE RULE 37- BETWEEN WELL**



- Producing part of the well is too close to producing portion of another well in the same LEASE and FIELD
- Wells owned by other operators can be the nearest well if in the same LEASE and FIELD

# STATEWIDE RULE 37 NOTIFICATION- BETWEEN WELL

### **Notification Parameters**

- Offsets within the greater of the lease line spacing or 1/2 of the between well spacing AND each adjacent tract.
- It is possible to have an affected offset that is not adjacent but is still within the notification area.





## **STATEWIDE RULE 38**

#### TOO MUCH OIL NOT ENOUGH SPACE

- A SWR 38 is triggered when there are more wells on the lease than allowed for by the field rules.
- Is your field classified as "UFT"? If so, an exception may not be required.

Note: In some cases, the use of Stacked Lateral provisions approved for your field or under SWR 86 can negate the need for a SWR 38 exception for a lease being developed with horizontal wells.



- Rule 38 is basic equation in which the Total Lease Acreage on the W-1 is divided by the Well Count on the W-1.
  - If the dividend is equal to or greater than the minimum required proration acreage per the field rules, then Rule 38 is not in play.
  - If the dividend is less than the minimum required proration acreage per the field rules, then Rule 38 is not in play.
- **Total well count** reflects the well count for the selected field only, and should include:
  - Includes:
    - Any applied for wells
    - Any permitted locations not yet drilled or expired
    - Any completed and producing wells
    - Shut in wells
    - TA'd wells
    - Wells on schedule listed as No Production
  - Does NOT include:
    - Expired or cancelled locations
    - Injectors or disposal wells
    - P&A'd wells
    - Service type wells
    - Water supply wells

- Stacked Lateral wells
- If permitting in a UFT field, the well count will be profile specific
  - Horizontals will ONLY count other horizontals within the same acreage and field.
  - Vertical and/or Directional wells will ONLY count other Vertical and/or Directional wells within the same acreage and field.

If permitting an Allocation or PSA well, and not all the wells included in the well count are taking acreage from the same developmental tracts as the applied for well:

- On the Field Details tab, in the Non-Concurrent production box, enter "SEE P-16."
  - This will remove the Rule 38 and will not require payment.
  - **BE ADVISED THAT DRILLING PERMIT STAFF WILL REVIEW THIS.** It is not a guarantee.
    - If it is determined that a Rule 38 is still needed, it will be added to the W-1 by staff and you will receive a problem letter to obtain a resolution method and documents.

# STATEWIDE RULE 38- DETERMINING NOTIFICATION AREA 🚱



### **Notification Parameters**

- Offsets within the lease line spacing AND each adjacent tract
- It is possible to have an affected offset that is not adjacent, but are still within the notification area
- Refer to your field rules or "UFT" rules for special notification areas



# **NON-CONCURRENT PRODUCTION**

**Non-Concurrent Production:** 

For SWR 37 Between Well and SWR 38 a Non-Concurrent Production Restriction can be used.

- Restriction stating that the applied for well and any wells on the restriction will not produce from the same field at the same time
- All wells that trigger an exception must be included in the restriction

## **STATEWIDE RULE 37 & 38- PLATS**



- Plat must be certified with a signature or surveyor's stamp
- Plat must have offsets clearly labeled in the notification area
- If filing for a PSA or Allocation well the plat must show all tracts being developed

Note: Even if you are your choosing "Own Offset" as a resolution to the exception you must still clearly label your companies name in the appropriate area on the plat.

**RESOLUTIONS- PREVIOUS COMMISSION ORDER** 

**Entity for Density:** 

- For SWR 37 Between Well an Entity for Density docket number can be used.
- Some approved dockets for EFD'S may have special lease line requirements that require the operator to send out notice.

# **RESOLVING WITHOUT NOTICE**

#### **Own Offset**

- To qualify, all affected tracts identified must be 100% leased\* to the applicant.
- The plat must clearly be labeled with applicant's name in all affected tracts.

\*If less than 100% of the mineral tract is under lease then another resolution path will need to be taken for the rest of the mineral tract.

#### Waiver

- All affected operators, lessees, or unleased mineral owners must sign the waiver.
- The plat must clearly be labeled with affected parties name in all affected tracts.
- Waivers from JOA partners may need more language concerning acreage assignments.

WAIVER	
DATE	
EXAMPLE	
RULE 37 AND/OR RULE 38 WAIVER	
OFFSET INC P O BOX XXXXX XXXXX, TEXAS XXXXX	
RE: RULE 37 AND/OR RULE 38 LEASE NAME COUNTY	
THE APPLICANT IS REQUESTING AN EXCEPTION TO STATEWIDE RULE 37 AND/OR RULE 38 THE BELOW SIGNED HAS NO OBJECTIONS.	
SIGNATURE TITLE (OPTIONAL)	
DATE:	

# **RESOLVING WITH UNAFFECTED STATUS**



- For SWR 37 and SWR 38 exceptions affected tracts located in another state or country can be classified as unaffected.
- For SWR 37 Between Well and SWR 38 any affected offsets that are greater than 1 mile from the producing portion of the well may be deemed unaffected.

Unaffected is a resolution that only applies to Between Well Exceptions and Rule 38 exceptions.

The Unaffected review is done by the RRC Engineering Unit. The Drilling Permit team will move the W-1 over to the Engineering Team so that they

can perform the review.

It is required to:

- Provide a brief letter requesting the unaffected review.
- Provide a separate plat showing the full lease boundary, with the one mile radius centered on the well's production.
  - If a Vertical well: the radius will be centered on the well location
  - If a Direction well: the radius will be centered on the BOTTOMHOLE location
  - If a Horizontal well: the radius will be centered on the entire producing segment:
    - The FTP through and including the LTP
    - The "radius" will be elongated based on the length of the wellbore
- Select UNAFFECTED as the resolution on the Exceptions tab
  - In most cases this is not done, and it should be.
  - If unaffected is not selected, you may receive a problem letter asking if you are requesting unaffected.

Unaffected can either:

- Reduce the amount offsets that require notice by reducing the notification radius.
  - In this example a well in the NE corner of a very large lease would not need to notice offsets SW of the lease.
    - Provided that the one-mile radius does not include offsets to the SW.
- Grant the approval based on a true unaffected situation.
  - In this case, the one-mile radius does not leave the lease boundaries.

Queues General Information Field List Field Deta	ilis Exceptions Attachments Restrictions Payments Events Comments Review	
Save (please hit save to see errors on this page	)	
	SWR 38 Exception Notification Parameters	
Field Exception SUGARKANE (EAGLE FORD) SWR 38	Yes Are you using different notification parameters than the ones in SWR 38 to determine the affected persons?     (applies to fields designated as UFT, or with a notification radius specified in special field rules)	
	Be sure to attach geological data to support your exception request if No was selected above.	
Some field rules a affected parties.	llow for reduced notification parameters in identifying	
affected parties.	llow for reduced notification parameters in identifying	
affected parties. Make sure that yo notification.		

## **RESOLVING WITH NOTICE**



- Unleased affected parties are listed on the service list provided with the application.
- The plat must clearly be labeled with name of affected party in all affected tracts.
- Commission will generate a 21-day notice that will be sent to the parties identified on the service list.

#### Publication

- Unleased affected parties are listed on the service list provided with the application
- The plat must clearly be labeled with name of affected party in all affected tracts
- A "Due Diligence" Letter provided with the application for publication concerning affected parties. Letter also explain steps taken to find those affected parties



- Instructions cover entering information and saving out to a CSV file

The image in this slide is the new formatted Service List.

As of November 7<sup>th</sup>, 2022, the Drilling Permits team is no longer printing the NOA's, stuffing the envelopes, and mailing them out.

• This consumed anywhere between half to a full day of a staff member's workday and reduced our ability to review W-1s efficiently.

The Xerox Central Print team is now handling the printing of the NOA's and envelopes, along with mailing them out.

The service list available in the Forms Library is **required to be used (DO NOT USE A CUSTOM FORMAT OR ANY OTHER FORMAT).** 

- It is downloaded as an Excel file, and you will save it out as a CSV file (please see the instructions to avoid any issues on saving it out as a CSV file).
  - Click Enable editing
  - Follow the instructions to enter data (instructions are also in forms library
  - There are heads up notes and formulas in place to ensure that the form is filled out correctly.
- The need for the new service list format is based on how Xerox needs the address information so that their systems will print it correctly.
  - Failure to use the new Service List format will result in a problem
## letter and a delay in the processing of your Rule Exception notification.

You may also use the built in service list utility on the attachments tab of the W-1.

• The utility was updated so that it outputs the csv attachment in the format needed by Xerox.

To ensure that offsets are afforded the full 21-day notification period, the Date of Issuance on the Notice of Application will be future dated (business days) based on the Xerox workflow.

#### SERVICE LIST (2 of 2)



• Drilling Permits staff no longer prints the notifications or stuffs the envelopes.

- The Xerox Central Print Team handles this now.

- New Service List format was created to match exactly how their print system works for addresses.
- You may use either the Service from the <u>RRC Forms</u> <u>Library</u>, or the Built-In Utility on the Attachments tab of the W-1.

- Do NOT use any other source to create the service list.

#### **WORKING INTERESTS**



- Working Interests or NPRI's aren't required to be noticed for SWR 37 or SWR 38.
- If you do notice them however, and they do protest, then you will have to go through the process and if necessary, a hearing.
- If we get returned envelopes and you aren't publishing the notice, then you will have to provide a new address.

#### **PUBLISHER'S AFFIDAVIT**

- After the notice has been run send in the affidavit to *SWR37@rrc.texas.gov* only.
- Make sure the subject line has the status number only.
- Attach one affidavit only to the email.



SWR 38 can often require a review of the Rule 38 data shown in the image on this slide.

• This will be geologic and volumetric data.

If a regulatory field does NOT have optional Rule 38 notification parameters, **the Rule 38 data will be required**.

• This is true for all resolution methods including own offset.

If a regulatory field DOES have optional Rule 38 notification parameters:

- Ensure that you select YES on the Exception tab to indicate you are choosing the optional parameters.
  - If YES is not selected, you will receive a problem letter asking for Rule 38 data and potentially plat revisions for additional offsets to be labeled.
    - If you receive this problem and you intended to use the optional parameters, then you can simply reply and ask us to check YES for the optional parameters.
    - THIS IS COMMONLY MISSED. If using optional parameters, be sure to indicate that.
- Rule 38 Data is NOT required if you are using the optional notification parameters.
- Be sure to check the field rules to ensure that you are able to assign

enough acreage to the well that will qualify you for the optional parameters.

• If you do not have enough to qualify for the optional parameters, then Rule 38 data will be required.

<b>RESOLUTIONS- SWR 38 DAT</b>	A REV	IEW (	2 OF 2)	
Original Recoverable Oil & E Three Rivers Operating Co				
Louis 3112 - Upton Co				
Spraberry (Trend Are	a) Field			
EUR for Entire 640 Acres:				
Average Porosity =	12%			
Average Water Saturation =	25%			
Bo =		bbl/STB		
Acres = Estimated Net Pay =	640 240			
6. • Prinkle Steller Berlind Berlin				
Oil in Place =	76,604,709	STBs		
Recovery Factor =	3%			
Original Recoverable Oil =	2,298,141	STBs		
Three Rivers has rights to produce from depths below the These volumetrics and EURs apply only to the interval for rights to produce. There are 4 wells currently produci	r which Three Rivers	has		
	Cum. Oil (STBs)	EUR (STBs)		
Louis 3142	7,760	145,542		
Louis 3131	24,009	72,826		
Louis 3114	7,539	30,098		
Louis 3133	7,294	50,758		
Total	46,602	299,224		
Remaining Reserves Left to Recover	1,998,917.26	STBs		

			FOR	IW-1A 🚱
NLROAD COMMISSION OF TEXAS Jard Gab Denision Bos 12097 CERTIFICATION Autor called Kun Company Autor Called Kun Company Au		W-1A		
1. Operator Name	2. Operator P-5 Number	3. RRC Distr	tict Number	
4. Lease, Pooled Unit or Unitzed Tract Name	5. Lease/ID Number (Fassig			
7. Total Acres in Lease, Pooled Unit or Unitized Tract	8. Well Number	Only Wel Only Surplus /		<ul> <li>If the system is requiring you to use</li> </ul>
9. County	10, API Number	Cther		a W-1A date and you aren't trying to
11. Field 1	RRC use only Disc Date	Rules Elf. Date	Rules Amd. Date	use the W-1A date, then place the
12. Field 2	Disc. Date	Rules Eff. Date	Rules And. Date	date you are entering the
T3. Field 3	Disc. Date	Rules Eff Date	Rules Amd. Date	application into the system. Attach
CERTIFICATION FOR AN OPERATOR SEEKING A PERMIT C SUBSTANDARD ACREAGE AS DEFINED BY EITH				all necessary documentation to resolve a SWR 38 exception.
A. This lease, pooled unit or unitized tract was establis			and shape on since that date.	
1		10 mm m m		
<ul> <li>B. The ownership in this lease, unitized tract or the dril</li> <li>I) been the same as or common to the owner</li> </ul>			r the date set forth in	
paragraph A.; and, II) been unitized or pooled with any adjoining approved development or allowable purpos		a single tract	for any Commission	

W-1 SERVICE LIST EXERCISE (1 OF 3)

# FORM P-16 ACREAGE DESIGNATION

A Basic Overview and Interactive Exercise

We will switch to the P-16 excel file for this portion of the discussion.

W-1 SERVICE LIST EXERCISE (2 OF 3)



Find the SWR 37 & 38: How to Identify and Resolve session

Download two files: EXAMPLE SERVICE WITH NAMES.xlsx W-1 SERVICE LIST.xlsx W-1 SERVICE LIST EXERCISE (3 OF 3)

A pre-filled service list and an empty service list have been provided.

You will learn how to quickly check character limits and how to avoid copy/paste issues.

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			
SWR 37/38 Questions: Chris Houston	512-475-0193			

Information about Drilling Permit email addresses:

General questions:

• Use: drillingpermits-info@rrc.texas.gov

If you have identified any mistakes or typos and a problem has not been sent for it:

• Use: drillingpermits-info@rrc.texas.gov

Submitting Publisher's Affidavits and Tear Sheets:

- Use: SWR37@rrc.texas.gov
  - When sending the affidavits:
    - Please send ONE email per status number
    - List the status number in the subject line (if you don't, you may receive a problem)
- If you have received a problem letter requesting the affidavits, then reply to the problem, do not send to the SWR37 address.

Hearing Requests and Complaints that are not the result of a problem email:

- Use: OGHearingRequest@rrc.Texas.gov
  - This is a new email group that has been set up
  - O&G staff will route the request to the relevant business group, and staff from that group will enter the request into the CASES system

Protest hearing requests (resulting from a protest problem email:

- You may reply to the problem email that was received
- If your legal counsel is sending in the response it should go to: SWR37@rrc.Texas.gov
  - Please ensure that you are providing a letter that names your legal counsel who will represent you at the hearing and also formally requests the hearing.

For any response to a problem:

- Simply reply to the email you received.
  - We have seen some cases where a new email has been drafted and sent to the problems address.
    - If the status number is not included with your custom email, it will delay the processing of the W-1.
  - Replying to the email you received will ensure that all information is visible so that your problem response can be forwarded to the analyst working it.
- Problems are forwarded out twice a day (just before lunch and at the end of the day).
  - Please allow time for the analyst to review your response and work the resolution on the W-1.
    - Problem responses do not immediately go to the analyst and require time for review.
    - They are worked in the order of receipt by the analyst and are balanced with W-1s that have yet to be reviewed.

### THANK YOU



