FORM P-16 ACREAGE DESIGNATION

A Basic Overview

WHEN IS THE P-16 REQUIRED?

- All Horizontal wellbores.
  - Regardless of the regulatory field.
  - Includes Allocation and PSA wells.

- All wellbore profiles in a UFT field.
  - Vertical
  - Directional
  - Horizontal

- To ensure that you are using the newest version of the form, please go to the Oil and Gas Forms Library on the RRC website and download the Excel File.
  - https://www.rrc.texas.gov/oil-and-gas/oil-and-gas-forms/

USE THE CURRENT VERSION

Important:

- **Please use the current version of the Form P-16.**
  - **Updates were adopted on June 28th, 2022**
  - **It is required to use the updated Form**

- **The most up to date version is always available in the Oil and Gas Forms Library.**
  - **https://www.rrc.texas.gov/oil-and-gas/oil-and-gas-forms/**

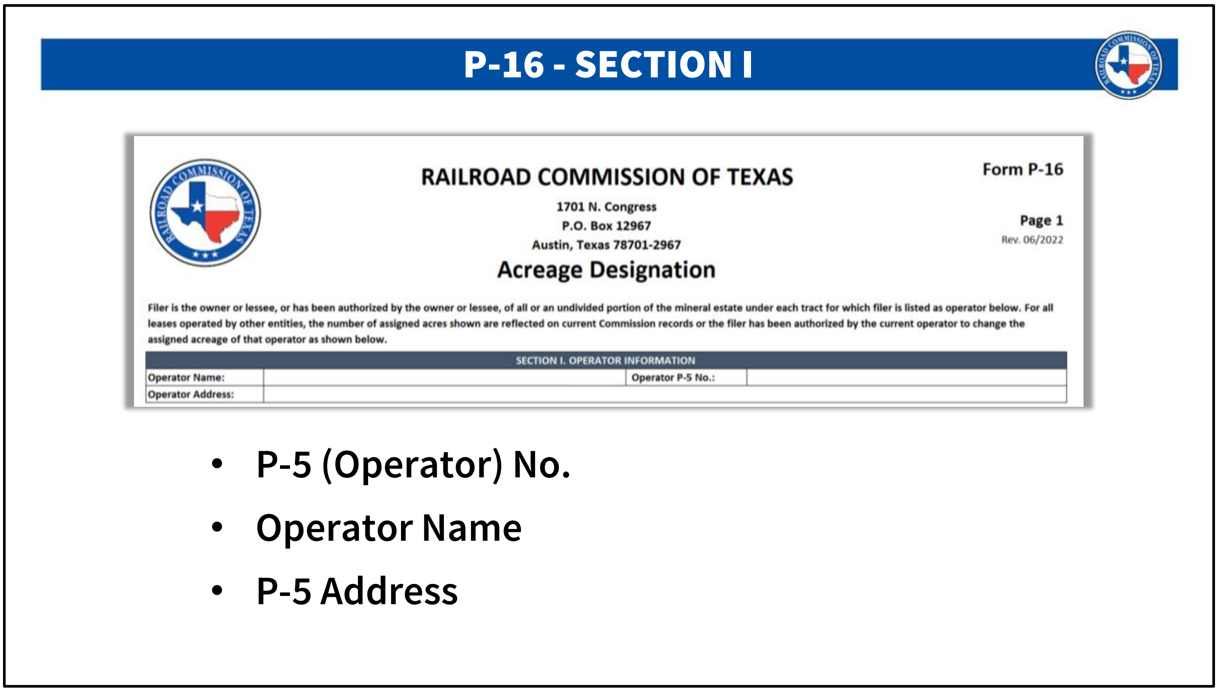
- To ensure that you are using the newest version of the form, please go to the Oil and Gas Forms Library on the RRC website and download the Excel File.
  - https://www.rrc.texas.gov/oil-and-gas/oil-and-gas-forms/

REQUIRED SECTION BY PROFILE TYPE

Wellbore Profile	Section I	Section II	Section III	Section IV	Section V	Section VI	Attachment 1A	Attachment 2A
Vertical Well	Yes	Yes	Yes	Optional	No	No	Optional	No
Directional Well	Yes	Yes	Yes	Optional	No	No	Optional	No
Horizontal Well	Yes	Yes	Yes	Optional	No	No	Optional	No
Allocation Well	Yes	Yes	No	Optional	Yes	Yes	No	Optional
PSA Well	Yes	Yes	No	Yes	Yes	Yes	No	Optional
Stacked Lateral Well	Yes	Yes	Yes	Optional	No	No	Optional	No
Stacked Lateral Allocation Well	Yes	Yes	No	Optional	Yes	Yes	No	Optional
Stacked Lateral PSA Well	Yes	Yes	No	Optional	Yes	Yes	No	Optional

NOTE: For a PSA well, it is required to add the percentage of agreement statement in Section IV.

- To permit and complete a PSA well, you must have obtained agreement from at least 65% of the MINERAL and WORKING interests, in EACH developmental tract, for the Production Sharing Agreement proposal.
- This statement is required in Section IV.
- Any additional information you wish to provide is optional (and always encouraged); however, the percentage statement is required for any PSA well.
- The most basic example of this statement that will be accepted is:
  - "(Operator Name) has obtained agreement from at least 65% of the Mineral and Working interests, in each tract, for this PSA."



Section I is where the P-5 information is entered.

- This must match the P-5 on the W-1.
- If the information shown in this section does not match the operator information on the W-1, then you will need to ensure that you are logged in to the RRC Online System with the correct User ID for your operator, or that you have entered the correct P-5 Operator information in this section of the Form P-16.
- If your operating company is in a partnership with another operating company where "Operator A" permits the well, and "Operator B" completes the well, then the Section I information MUST match the information on the respective filing:
    - Section I information on the Form P-16 provided with the W-1 must match the Operator information on the W-1.

P-16 - SECTION II

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

All fields are required

- **For a New Drill W-1 the API No. and Drilling Permit No. may not be available. They can be blank, yet are required for an amendment**
- **If a Lease ID (oil) has been generated, it is required. An RRC ID (gas) is specific to the well and is required only if already created for this well.**

Section II captures basic identification information for the proposed well with the W-1.

- Although the information in this section should mirror what is provided on the W-1, and all attachments. We frequently see issues in this section.
  - Slide 74 and 75 highlight some of the common issues.

District No.:

- If the well is being proposed or completed on a lease that has an existing RRC ID No. or Lease No. in the same Regulatory Field, then provide the District No. for that RRC ID No. or Lease No.
  - If this is a new gas well, then provide the District No. for the Regulatory Field being proposed or completed in.
  - If this is the first oil well being proposed or completed in a lease and field, then please give the District No. for the Regulatory Field.
  - If the lease straddles a District boundary, and the Regulatory Field has multiple District assignments, then please give the District No. based on the location of the FTP, if an RRC ID No. or Lease No. does not already exist.

Well No.:

- The Well No. in Section II is required to exactly match the Well No. on the W-1, the plat, and any other documents attached to the respective submission.

- A Well No. can be changed at the time of completion without an amendment to the W-1, provided that ALL documents attached to the G-1/W-2 are consistent with the new Well No. and that the G-1/W-2 carries the same new Well No.

Lease Name:

- The Lease Name in Section II is required to exactly match the lease name on the W-1, the plat, and any other documents attached to your submission.

Total Lease Acres:

- The Total Lease Acres should be the total size of your lease, pooled unit, or developmental acreage.
- When filing for an Allocation or PSA well, we will sometimes see the Lease Acres only referencing one of the developmental tracts, as opposed to the cumulative total of the developmental acreage.

Proration Acres:

- This field should always have a value.
- It is important to remember that a W-1 is a proposal, and therefore we just want to see the minimum acreage required by the field rules.
  - Acreage is not held with a W-1, it is simply proposed.
- For simplicity of review, we highly suggest that the absolute minimum acreage required by the field rules is provided when submitting a W-1.
  - This is frequently left blank on W-1 submissions.
    - A problem letter will be sent if this is left blank for a W-1.
- The value in this field should match what is shown for the proposed well in Section III, or Section VI.
- The value should be equal to or greater than the minimum required by the field rules.
  - If the well is to receive or has been granted a SWR-38 exception, then a substandard acreage amount is ok.

Wellbore Profile:

- The Wellbore Profile is required.
  - If Stacked Lateral Well, Stacked Lateral Allocation Well or Stacked Lateral PSA Well are selected make sure to complete the SL Record (Parent) Well Drilling Permit No.
- Example of an incomplete selection:
  - You are applying for a Stacked Lateral Well and have only selected Horizontal from this menu. You should select Stacked Lateral Well instead.
- Example of an incorrect selection:
  - You are amending a W-1 from a Vertical to a Directional and have left the Wellbore Profile selection as Vertical.
- If you are applying for a Vertical Directional, a Vertical Horizontal, or a Directional Horizontal well, and the pilot hole is intended to produce as well, you will want to call the Drilling Permits Group at 512-463-6751 to get information about what to select.

    - A producing pilot hole is an outlying scenario for these types of filings, and thus, the guidance for these rare scenarios will be a case-by-case discussion.

SL Record (Parent) Well Drilling Permit No.:

- If any form of Stacked Lateral has been selected in the Wellbore Profile selection, then this field is required to have a value entered.
- The value entered in this field should accurately reference the Permit No. for the Parent Well (Record Well).
    - Issues in this field are generally attributed to incorrect Status/Permit No. for the Parent Well, or a Status/Permit No. that is referencing another Child well.

API No.:

- It is ok to leave this field blank when filing a W-1 for a well that will receive a new API No.
    - If you are filing an amendment that requires an update to the Form P-16, then you should enter the API No.
        - Most amendments do not require an update to the well count, and thus you do not need to update the Form P-16. In these situations, you can use the same Form P-16 from the original approval, and it will be ok for this field to be blank.

Drilling Permit No.:

- It is ok to leave this field blank when filing for a W-1.
- If you are filing an amendment that requires an update to the Form P-16, then you should enter the Permit No.
    - Most amendments do not require an update to the well count, and thus you do not need to update the Form P-16. In these situations, you can use the same Form P-16 from the original approval, and it will be ok for this field to be blank.

RRC ID or Lease No.:

- If an RRC ID No. or Lease No. has been assigned then, this field should contain that RRC ID No. or Lease No.
- If an RRC ID No. or Lease No. has not yet been generated, then it is ok to leave this field blank for a W-1.
- For an Allocation or PSA well, this will generally be left blank unless this is a subsequent filing and the RRC ID No. or Lease No. has already been assigned.
    - This is because Allocation and PSA wells receive a unique RRC ID No. or Lease No., and the number already assigned for a base lease, is not applicable to the actual Allocation or PSA well.
- If applying for a Stacked Lateral Allocation or PSA well, and the Parent Well already has an RRC ID No. or Lease No. assigned, then that RRC ID No. or Lease No. should be used.
    - This is because Child wells receive the same RRC ID No. or Lease No. as the Parent, even if it is an Allocation or PSA.

Field Name:

- This is the Regulatory Field proposed on the W-1.
- Name should match RRC records.

- Please ensure spelling and punctuation is correct.

Field No.:

- This is the RRC Regulatory Field Number.
- Should match RRC records based on the Field Name entered.
- Two examples of common issues that we see:
  - You are applying for the Spraberry (Trend Area) Field but have entered the Spraberry (Trend Area) R 40 EXC Field No.
  - You are applying for the Spraberry (Trend Area) Field for District 7C but have entered the District 08 Field No.

UFT Field Designation:

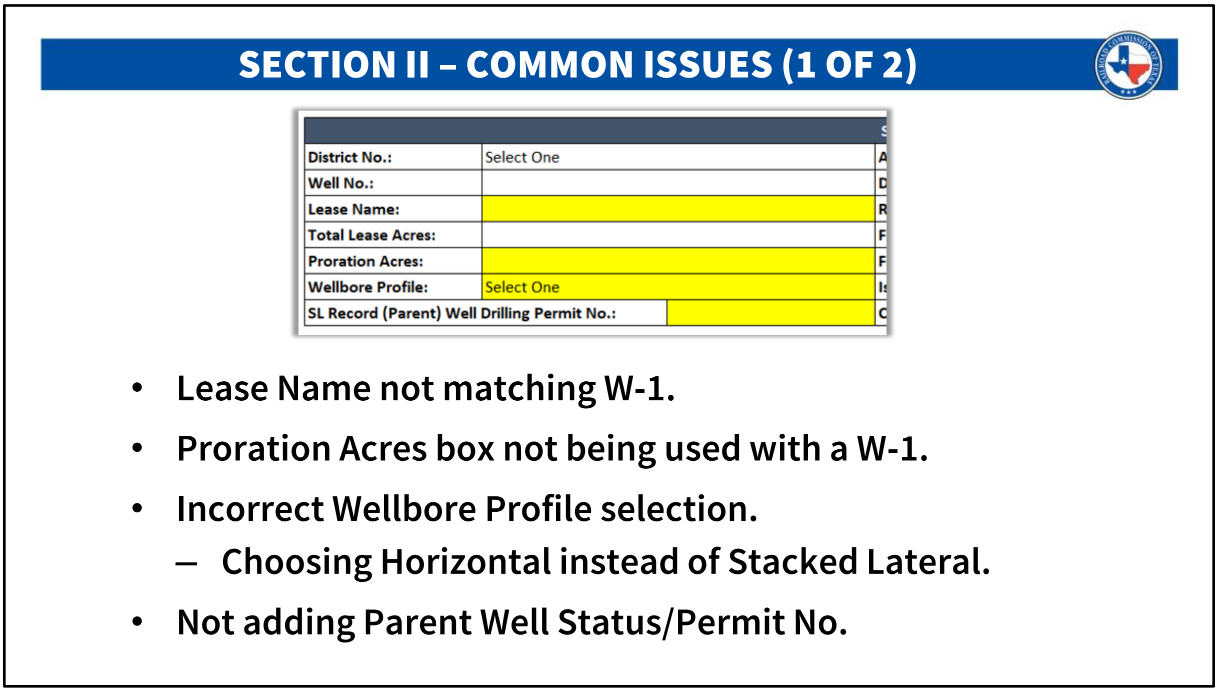
- There are only two options for this selection: Yes or No.
- The selection here will drive the auto-calculation of the form
- In UFT fields, acreage from Vertical and Directional wells is not calculated with acreage for Horizontal wells.
  - The auto-calculation features of the form are setup to account for this.
  - If you are in a UFT field, and select NO, then the totals on shown on the Form P-16 will not be accurate per the UFT field rules.
- There are only two issues that we encounter with this field:
  - Nothing is selected.
  - Incorrect selection.

County:

- This is the County where the surface location of the well exists.
- The only issues encountered here are if the county is misspelled or just incorrect altogether.
- This determines the County Code in the API No.
- If you find the County is wrong on the Form P-16, double check your W-1 submission and ensure that the County is correct on it.

Ownership Interval:

- The June 28th, 2022, update of the P-16 added ownership interval boxes to Section II, in support of the SWR 40 amendment from March 3rd, 2020.
- The ownership interval boxes in Section II will ONLY be used with a regular lease or pooled unit application.
  - For Allocation and/or PSA wells, the intervals (if they exist) will ONLY be listed in Section V, for each lease listed in that Section.
  - Section II interval boxes will NOT be used for Allocation/PSA wells.



Section II Common Issues:

Lease Name:

- The Lease Name in Section II is required to exactly match the lease name on the, the plat, and any other documents attached to your submission.

Proration Acres:

- This field should always have a value.
- It is important to remember that a W-1 is a proposal, and therefore we just want to see the minimum acreage required by the field rules.
    - Acreage is not held with a W-1, it is simply proposed.
- For simplicity of review, we highly suggest that the absolute minimum acreage required by the field rules is provided when submitting a W-1.
    - This is frequently left blank on W-1 submissions.
        - A problem letter will be sent if this is left blank for a W-1.
- The value in this field should match what is shown for the proposed well in Section III, or Section VI.
- The value should be equal to or greater than the minimum required by the field rules.
    - If the well is to receive or has been granted a SWR-38 exception, then a substandard

acreage amount is ok.

Wellbore Profile:

- The Wellbore Profile is required.
  - If Stacked Lateral Well, Stacked Lateral Allocation Well or Stacked Lateral PSA Well are selected make sure to complete the SL Record (Parent) Well Drilling Permit No.
- Example of an incomplete selection:
  - You are applying for a Stacked Lateral Well and have only selected Horizontal from this menu. You should select Stacked Lateral Well instead.
- Example of an incorrect selection:
  - You are amending a W-1 from a Vertical to a Directional and have left the Wellbore Profile selection as Vertical.
- If you are applying for a Vertical Directional, a Vertical Horizontal, or a Directional Horizontal well, and the pilot hole is intended to produce as well, you will want to call the Drilling Permits Group at 512-463-6751 to get information about what to select.
  - A producing pilot hole is an outlying scenario for these types of filings, and thus, the guidance for these rare scenarios will be a case-by-case discussion.

SL Record (Parent) Well Drilling Permit No.:

- If any form of Stacked Lateral has been selected in the Wellbore Profile selection, then this field is required to have a value entered.
- The value entered in this field should accurately reference the Permit No. for the Parent Well (record well).
  - Issues in this field are generally attributed to incorrect Status/Permit No. for the Parent Well, or a Status/Permit No. that is referencing another Child well.

SECTION II – COMMON ISSUES (2 OF 2)

SECTION II. WELL INFORMATION	
API No.:	
Drilling Permit No.:	
RRC ID or Lease No.:	
Field Name:	
Field No.:	
Is this a UFT field?:	Select One
County:	Select One

- Incorrect or misspelled Field Name.
- Field No. not referencing the named field.
  - Using S(TA) R40 Field No., with S(TA) Field Name.
- Not identifying UFT Field Designation.
- Using interval boxes for Allocation or PSA wells

Section II Common Issues:

Field Name:

- This is the Regulatory Field proposed on the W-1.
- Name should match RRC records.
- Please ensure spelling and punctuation is correct.

Field No.:

- This is the RRC Regulatory Field Number.
- Should match RRC records based on the Field Name entered.
- Two examples of common issues that we see:
  - You are applying for the Spraberry (Trend Area) Field but have entered the Spraberry (Trend Area) R 40 EXC Field No.
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UFT Field Designation:

- There are only two options for this selection: Yes or No.
- The selection here will drive the auto-calculation of the form

- In UFT fields, acreage from Vertical and Directional wells is not calculated with acreage for Horizontal wells.
    - The auto-calculation features of the form are setup to account for this.
    - If you are in a UFT field, and select NO, then the totals on shown on the Form P-16 will not be accurate per the UFT field rules.
- There are only two issues that we encounter with this field:
    - Nothing is selected.
    - Incorrect selection.

Ownership Interval:

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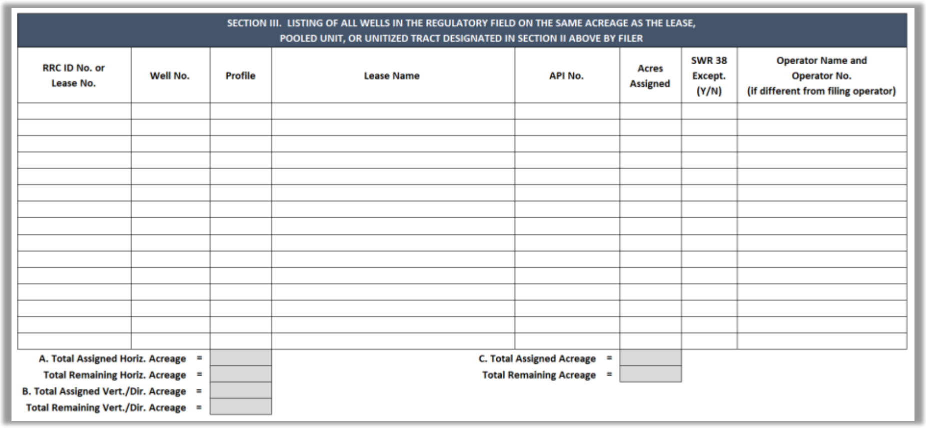
- The ownership interval boxes in Section II will ONLY be used with a regular lease or pooled unit application.
    - For Allocation and/or PSA wells, the intervals (if they exist) will ONLY be listed in Section V, for each lease listed in that Section.
    - Section II interval boxes will NOT be used for Allocation/PSA wells.

P-16 - SECTION III


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

RRC ID No. or Lease No.	Well No.	Profile	Lease Name	API No.	Acres Assigned	SWR 38 Except. (Y/N)	Operator Name and Operator No. (if different from filing operator)

A. Total Assigned Horiz. Acreage =
Total Remaining Horiz. Acreage =
B. Total Assigned Vert./Dir. Acreage =
Total Remaining Vert./Dir. Acreage =
C. Total Assigned Acreage =
Total Remaining Acreage =

Section III is Used when the subject well is NOT an Allocation or a PSA Well.

Section III will be used when you are filing for a Regular Lease or a Pooled Unit.

- This section will NOT be used when filing for an Allocation or PSA well.
- No information should be in Section III if you are filing for an Allocation or PSA well.
    - If information is in Section III for these types of wells, a problem will be sent, and you will be required to remove the information.
    - Sections V and VI capture the composition of and well listing for Allocation or PSA developments.

WHAT WELLS DO YOU LIST?

- Proposed wells (applications submitted and under review prior to the current application)
- Approved permit that are yet drilled
- Completed Wells
- Shut-In Wells
- Temporarily Abandoned wells
- No information should be in Section III if you are filing for an Allocation or PSA well.
    - All well status types listed above are included in the W-1 well count

RRC ID No. or Lease No.:

The completed RRC ID No. or Lease No. should be listed in this column.

- For a W-1:
    - This column will list the RRC ID No. or Lease No. for any completed wells
    - If a well is not yet built to schedule, use the approved Permit No.
    - If a well is under review and not yet approved, use either the Status/Permit No. or the word "Pending," or, "New."

Well No.:

- Every well has a Well No. whether it is completed or proposed.
- This column should have a value for every well that is listed.
- This column activates the auto-calculation for this section.
- If you do not start on the FIRST row, and do not enter a value in this field, the auto-calculation will not function.

Profile:

- The profile selection for wells listed in Section III will affect the auto-calculation features of this section, dependent upon the UFT Designation from Section II.
- The Wellbore Profile selection in this section now has options that are selected from a drop-down menu.
    - Vert. = Vertical Well
    - Direc. = Directional Well
    - Horiz. = Horizontal Well
    - Alloc. = Allocation Well
    - PSA = Production Sharing Agreement Well
    - SL = Stacked Lateral Well
    - Alloc.-SL = Stacked Lateral Allocation Well
    - PSA-SL = Stacked Lateral PSA Well

Lease Name:

- The lease name listed in this column, should match what is shown in Section II.
- If there are Allocation or PSA wells that pass through the referenced lease or pooled unit, then the lease name for these wells will be different.

Section III will be used when you are filing for a Regular Lease or a Pooled Unit.

- This section will NOT be used when filing for an Allocation or PSA well.

- No information should be in Section III is you are filing for an Allocation or PSA well.
    - If information is in Section III for these types of wells, a problem will be sent for a W-1 or a message for a G-1/W-2, and you will be required to remove the information.
    - Sections V and VI capture the composition of and well listing for Allocation or PSA developments.

API No.

- If an API No. has been generated, it is required to be listed.
    - The State Code (42) is not necessary before the County Code.
- Ensure accuracy of the API No.
- For a W-1:
    - If an API No. has not yet been generated, then please use the Status/Permit No. of the W-1.
    - The Form P-16 should be added on to sequentially, therefore you should have a Status/Permit No. for each well listed, except the proposed well.
    - For the proposed well listed in Section III, simply use "proposed" or "pending."
- For a G-1/W-2:
    - Every well listed will have an API No., because you will only be listing wells that are completed to schedule at the time of your packet submission.

Acres Assigned:

- Acreage is NOT changed with the W-1, it is only changed with the G-1/W-2 filing.
- For a W-1:
    - You will show the minimum required by the field rules for any proposed wells that are listed.
    - For any wells that are completed to schedule, you will show exactly what is currently on schedule.
    - In some cases, this may create the appearance that your lease is over-assigned. This is ok, as we can see that acreage can be reduced on completed wells to accommodate the new ones.
        - A "No Allowable" restriction will be added to your W-1 to ensure that acreage is reduced at completion.
- For a G-1/W-2:
    - You will show the acreage that you want the well hold on schedule.
    - You can adjust any other associated wells at this time.

SWR-38 (Except). (Y/N):

- If well has been granted a SWR-38 exception, please indicate this by placing a "Y" in this column.

- **Only indicate the wells for which the W-1s have an approved SWR-38 exception.**
- If there are wells that do not have a SWR-38 exception on their respective W-1s but have substandard acreage due to other SWR-38 exceptions that have been granted on the lease, then you will show "N" for these wells.

Operator Name and Operator No:

- If another operator has a well within this acreage, that is in the same field, it is required to list that name of that operator in this column.
- Any well operated by another operator within this acreage and field will be included in the well count and subject to SWR-37 and SWR-38.

If UFT Designation in Section II is YES:

- Section III will auto-total based on a profile basis.
    - If the Profile designation in Section II is any of the Horizontal options, then Section III will only total the Horizontal wells listed.
    - If the profile designation in Section II is either Vertical or Directional, then Section III will only total the Vertical and Directional wells that are listed.
- The reason for these auto-calculations is due to UFT field rules. In UFT fields, Horizontal wells are separated from Vertical and Directional wells (the opposite is also true), with respect to acreage assignments.
- If you have selected YES for UFT in Section II, and selected a Horizontal profile, it is not necessary to list any Vertical or Directional wells. This is suggested to keep the form simple; however, it is not mandatory to exclude them.
    - Due to this, it was necessary to create an intelligent auto-calculation so that the acreage totals match the field rules if all profiles are listed in a UFT field.

SECTION III – COMMON ISSUES (1 OF 2)

- **Incorrect Information:**
  - **Well Numbers and/or API Numbers**
  - **Profile selection**
  - **Incorrect Lease Names and Lease ID's**
- **Subject Well Missing:**
  - **The subject well being proposed or completed should be listed in this Section, along with other required well listings for your W-1.**
- **Missing Required Well Listings**

Section III Common Issues:

- Incorrect Well Numbers:
  - Please ensure that all Well Numbers listed match RRC records.
- Incorrect profile selection:
  - Please ensure that the Wellbore Profiles have been selected correctly in this section.
  - This is important if you are permitting or completing in a UFT field, as it will help control the auto-calculation of this section.
- Incorrect Lease Names and RRC ID or Lease Numbers:
  - Please ensure that RRC ID or Lease Numbers listed match RRC records.
  - These numbers will be used by RRC staff to look up well or lease records while reviewing the submission.
  - Incorrect information will delay processing, as you will need to make corrections to the form.
- Acreage Assignments:
  - Issues regarding acreage assignment generally occur with the W-1 filing.
    - Make sure that all proposed assignments are matching at least the minimum required by the field rules.
    - **Completed well assignments can match the schedule or can be shown as they will be at the time of completion.**

        - The proposed well will ALWAYS be listed in this section
    - Ensure that all wells within this acreage and field are listed
        - This applies to other operator’s wells also
        - If they exist within your acreage footprint, and are in the same field, they are required to be accounted for.

SECTION III – COMMON ISSUES (2 OF 2)

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							
RRC ID No. or Lease No.	Well No.	Profile	Lease Name	API No.	Acres Assigned	SWR 38 Except. (Y/N)	Operator Name and Operator No. (if different from filing operator)
A. Total Assigned Horiz. Acreage =				C. Total Assigned Acreage =			
Total Remaining Horiz. Acreage =				Total Remaining Acreage =			
B. Total Assigned Vert./Dir. Acreage =							
Total Remaining Vert./Dir. Acreage =							

The UFT Designation in Section II affects the totals in Section III.

- **If UFT is YES, the split profile totals will be used.**
- **If UFT is NO, the single total will be used.**

It is important to make sure the UFT designation is correct.

Section III Common Issues:

- Make sure the correct UFT Field designation (Y/N) was selected in Section II.

P-16 - PAGE 1A

- Page 1A is an addendum for Section III.
- Auto calculation features will not cross pages, with respect to the totals.
- The totals at the bottom of any Supplemental pages (Page 1A or Page 2A, no matter how many) will only be a total for that page only.

P-16 – SECTION IV

- **This is a comments box.**
- **Any useful information you need to provide.**
- **PSA acreage statement (required for PSA)**
  - **MINERAL *AND* WORKING Interests**
  - **At least 65% agreement to production sharing**
  - **Need to meet 65% *IN EACH TRACT***
    - **Specific numbers per tract, or**
    - **Statement should reference "from all tracts"**

Section IV is for any useful information that needs to be provided to ensure accurate and efficient processing of a W-1 application or G-1/W-2 packet.

- If you are applying for, or completing a PSA well, the percentage statement is required to be shown in this section.
  - A PSA well requires the filer to have obtained agreement to the production sharing from at least 65% of the Mineral AND Working interests in each tract that is being used in the developmental acreage. If you have not obtained the 65% threshold from either the Mineral or Working interests in a tract, then it is not eligible to be included in the PSA.
  - This percentage is not cumulative. The required agreement percentage threshold applies to each tract.
  - A statement saying "We have obtained greater than 65% agreement to the PSA" will NOT be accepted. There are two reasons why:
    - It does not address Mineral and Working interests.
    - It does not address all tracts.
  - A statement saying, "We have obtained at least 65% agreement of Mineral and Working interests, in each tract" WILL be accepted.
    - This is an example of the bare minimum acceptable statement.
    - The statement addresses both Mineral and Working interests.

        - The statement addresses all the tracts by saying, "…in each tract."
    - We do not need to see an exact number for the Mineral and Working agreement percentage, however, if you do provide specific numbers, they each need to be above the 65% threshold from each tract, and for each type (Mineral AND Working).

- If you have permitted a well as Allocation, but are completing the well as a PSA, it is important to remember the following:
    - The percentage statement will need to be included in this section on the completion Form P-16.
    - If the acreage has changed (i.e.: tract setup is different) you will be required to amend the W-1.
    - If the statement is not there, it will affect the approval of the Form W-1 or G-1/W-2.
    - Well Compliance Analysts will be looking for this statement and will ask Drilling Permits staff to verify it, if needed.

P-16 – SECTION V (1 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						
B						
C						
D						
E						
F						
G						
H						
		Total Acreage =				

- **Section V is ONLY Used for Allocation or PSA submissions.**
- **Defines the composition of the developmental acreage.**
- **Ownership interval information for each developmental tract will be entered in this Section. (Section II is not used)**

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Section V describes the composition of your developmental acreage.

- This section will ONLY be used if you are proposing or completing an Allocation or PSA well.
- If you are filing for a Standard Lease or Pooled Unit well, and information is shown in this section, a problem will be sent, and you will be required to remove the information.

RRC ID No., Lease No. or Tract ID:

- The RRC ID No., Lease No. or Tract ID column in Section V is what will trigger the auto-calculation for this section and will also populate into the column headers for Section VI.
- The RRC ID No., Lease No. or Tract ID should match the identifier used on the plat.
- If you are using a tract that is a Gas Lease, you can use one of the RRC ID Numbers from Section VI in this field.
- For a W-1:
  - If you do not yet have an RRC ID No. or Lease No. for a particular tract, you can use one of the following options (the choice is yours, all are acceptable):
    - Use a letter: A, B, C, etc. A suggestion for this would be to use the identifier for this row.
      - For example: If you are in the row labeled “C”, then you can use “Tract C” for the RRC ID No. or Lease No.
    - Use “Undev”: this is an abbreviation for Undeveloped. It is highly suggested to use this abbreviation instead of the full word so that it auto-populates into

Section VI clearly.
    - Use “New”: this is a simple designation that indicates you do not yet have an RRC ID No. or Lease No.
    - Use “Pending”: Pending will auto-fill into Section VI clearly and can indicate that completions are being processed on a newly developed lease.

Lease Name:

- The values in this column should be the Lease Name or Pooled Unit Name of the developmental tract you are using.
- Any values in this field should match the labels on the plat.

Beginning Lease Acres:

- This is the total size of the referenced developmental tract.
- This does not account for any acreage already assigned, it is simply the raw total lease acreage.
- The Total Acreage at the bottom of this column should be the same number entered in the Total Acres field in Section II.

Ownership Interval:

- The Ownership Interval fields have been added to Section II as part of the June 2022 Form P-16 Update.
- This allows Ownership Interval information for Standard Leases or Pooled Units to be provided.
- The removes the need for adding a long-detailed comment in Section IV and on the W-1.
    - You may still leave a comment with this information if you would like to, however, the interval values are REQUIRED to be entered in these fields, regardless of whether you choose to leave a comment.
- If your lease or pooled unit is not subject to a Division of Ownership, then leave both the Upper and Lower fields EMPTY.
- The combination of 0/999,999 will no longer be used to indicate full ownership. Instead, you will show empty fields.
- 0 and 999,999 will still be used to indicate either surface (0) or infinity (999,999), however, they will never again be used in combination.

Upper:

- If a Horizontal Division of Ownership exists within the lease or pooled unit, then you will enter the value for the TOP of the Ownership Interval.
- This value will be NUMERIC.
    - If your lease agreement references the name of a geologic benchmark or some other discriminator, then you need to consult your geologists so that they may give you a numerical value of this benchmark or discriminator.
    - Once you have obtained the estimate, you need to consistently use that value on any W-1/Form P-16 using this lease or pooled unit as part of an Allocation or PSA development, or any W-1/Form P-16 using this as a base lease or pooled unit well.
- It is understood and acknowledged that this value could be an estimate.
- If your rights begin at the Surface of the Earth, or at the top of the Regulatory Field then use a 0 (zero) to indicate this.

- If your lease agreement changes, and this benchmark is removed or changed, then you will update that information your immediate next W-1/Form P-16 submission.
  - It will not be immediately necessary to amend prior W-1s, unless directed by Well Compliance.

Lower:

- If a Horizontal Division of Ownership exists within the lease or pooled unit, then you will enter the value for the BOTTOM of the Ownership Interval.
- This value will be NUMERIC
  - If your lease agreement references the name of a geologic benchmark or some other discriminator, then you need to consult your geologists so that they may give you a numerical value of this benchmark or discriminator.
  - Once you have obtained the estimate, you need to consistently use that value on any W-1/Form P-16 using this lease or pooled unit as part of an Allocation or PSA development, or any W-1/Form P-16 using this as a base lease or pooled unit well.
- It is understood and acknowledged that this value could be an estimate.
- If your rights end at the bottom of the Regulatory Field or continue to the core of the Earth (infinity), then use 999,999 to indicate this.
- If your lease agreement changes, and this benchmark is removed or changed, then you will update that information your immediate next W-1/Form P-16 submission.
  - It will not be immediately necessary to amend prior W-1s, unless directed by Well Compliance.

Operator Name and Operator No:

- If another operator controls a tract that is included your developmental acreage, it is required to list their name in this column.
- This will only be used if the filing operator is different the operator for this developmental tract. You should not list yourself in this column.
- If another operator is listed in this section an additional document is required if filing the P-16 for a W-1:
  - A statement from the other operator is needed which acknowledges that any proration acreage held by this well will not be available to the listed operator for any future wells that they develop within their tract.
  - The statement can be a separate document or incorporated into a rule exception waiver, but it is required in some form.

SECTION V – COMMON ISSUES

- Lease ID No's. (Oil or Gas) not being listed.
- Lease or Tract Names not matching the plat.
- Incorrect Beginning Acreage.
- Other Operator Names not being listed.
  - Not providing the No Double Assignment of Acreage Statement if another Operator is listed.

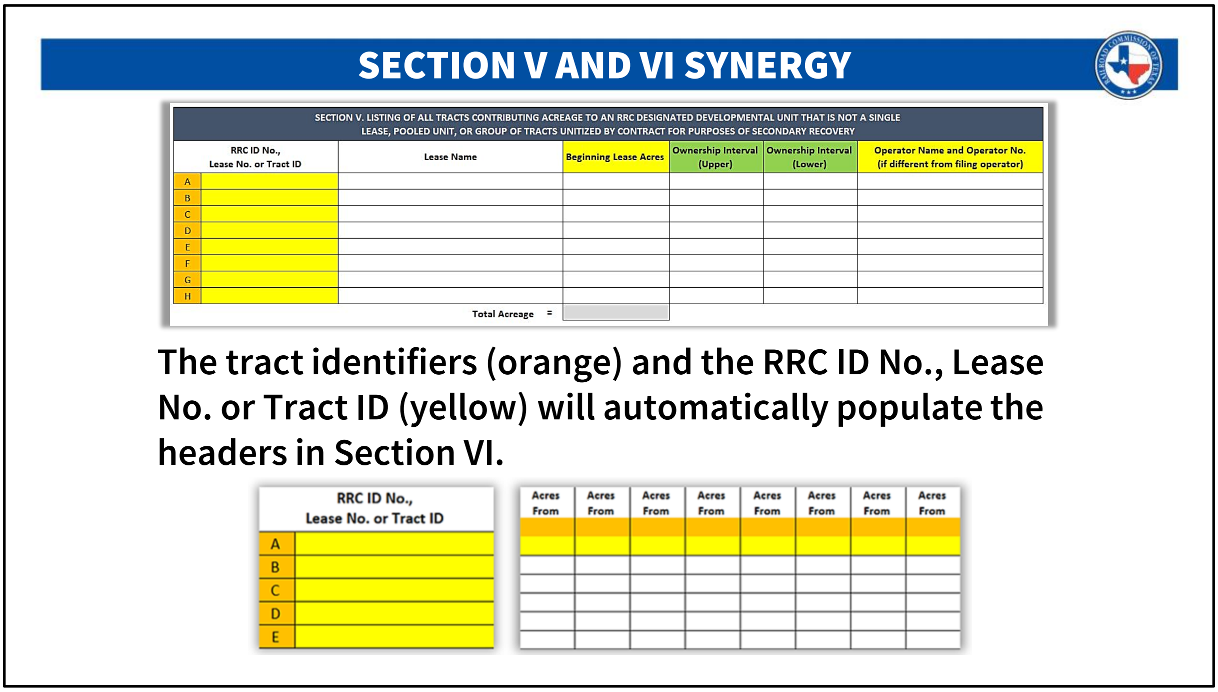
Section V Common Issues:

- The section not being used for an Allocation or PSA well.
- If your profile selection in Section II is any form of Allocation or PSA well, then this section will ALWAYS be used.
- You will never use it for a regular lease well.
- The RRC ID no., Lease No. or Tract ID does not contain any values.
  - It is important to always enter a value in the RRC ID No. or Lease No. field for the auto-calculation to occur.
  - If you are using a tract that is a Gas Lease, you can use one of the RRC ID Numbers from Section VI in this field.
- For a W-1:
  - If you do not yet have an RRC ID No. or Lease No. for a particular tract, you can use one of the following options (the choice is yours, all are acceptable):
    - Use a letter: A, B, C, etc. A suggestion for this would be to use the identifier for this row.
      - For example: If you are in the row labeled "C", then you can use "Tract C" for the RRC ID No. or Lease No.
    - Use "Undev": this is an abbreviation for Undeveloped. It is highly suggested to use this abbreviation instead of the full word so that it auto-populates into

Section VI clearly.

            - Use “New”: this is a simple designation that indicates you do not yet have an RRC ID No. or Lease No.
            - Use “Pending”: Pending will auto-fill into Section VI clearly and can indicate that completions are being processed on a newly developed lease.

- For a G-1/W-2:
    - Do not use the Lease Name in the RRC ID No., Lease No. or Tract ID column.
        - If using acreage from a Tract without an RRC ID No. or Lease No. and you do not have a Tract Identifier on the plat you may abbreviate the name as shown on the plat
            - The tract must be abler to be clearly identified on the plat.
- The RRC ID No., Lease No. or Tract ID and Lease Name should match the identifiers used on the plat.
    - You can use the lettered identifiers from the far left of this section.
    - You can use the RRC ID No. or Lease No. column values.
    - You can use the lease name column values.
    - Provided that the plat is labeled in a way that it can be matched up with Section V, the W-1 can be accurately reviewed.
- Beginning Lease Acreage values will always be the total size of the developmental tract that you are incorporating.
    - This is NOT the remaining acreage after assignment have been subtracted out.
    - Simple question: “How large is the subject tract that you are referencing?”
- If another operator controls a tract that is included your developmental acreage, it is a requirement to list their name in the Operator Name and Operator No. column.
    - This will only be used if the filing operator is different the operator for this developmental tract. You do not need to list yourself in this column.
        - If another operator is listed in this section an additional document is required for the W-1:
            - A statement from the other operator is needed which acknowledges that any proration acreage held by this well will not be available to the listed operator for any future wells that they develop within their tract.
            - The statement can be a separate document or incorporated into a rule exception waiver, but it is required in some form.

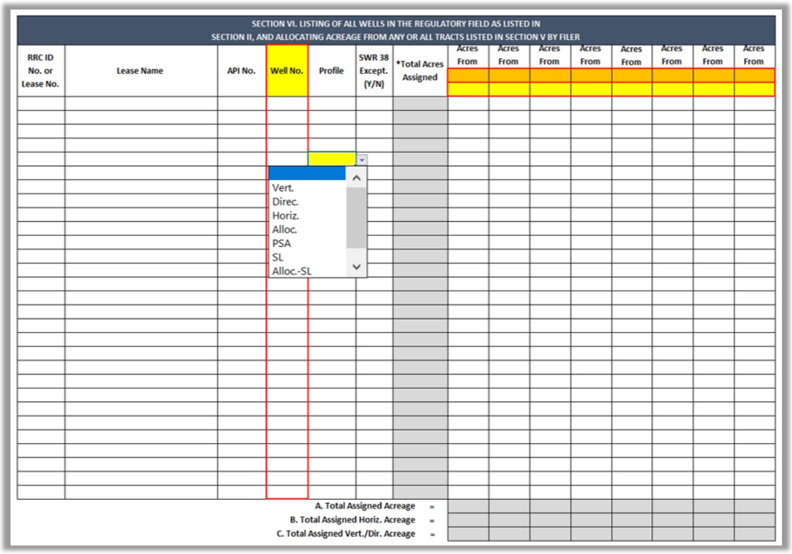


Section V Common Issues:

- There are two images on this slide:
  - The top image shows Section V in its entirety.
  - The bottom image shows the left portion of Section V and the lease column headers from Section VI.
- The following notes will reference the bottom image:
  - You can see some letters that are highlighted in orange. These are the identifiers that are built into Section V.
    - Top to Bottom in Section V will auto-populate the headers in Section VI from Left to Right.
    - These cannot be interacted with, they are static.
    - These identifiers will automatically populate in the lease column headers in Section VI.
    - The part of the header that these auto-populate into are also highlighted in orange.
  - The fields highlighted in yellow are the RRC ID No. or Lease Numbers that you enter on the form.
    - The values listed here will auto-populate in the yellow highlighted portion of the Section VI lease column headers.

    - The fields in yellow, are interactable and can be changed.
    - This is necessary, because Well Compliance needs to see additional information for Allocation and PSA completions when an acreage change creates a domino effect of acreage changes across neighboring developmental units that share tracts with the subject developmental unit.
        - Please contact Well Compliance at 512-463-6975 for detailed information regarding this requirement.
- This increases efficiency when filling out the form. It will automatically show you where you input proration assignments in Section VI, for a specific developmental tract. The order in Section VI is based on how you enter the information in Section V.

P-16 – SECTION VI (1 OF 4)



Section VI will only be used for Allocation or PSA wells.

- It will NOT be used for regular leases or pooled units. If you have selected any profile other than Allocation or PSA from the Profile selection in Section II, and you enter information in Section VI, you will be asked to remove it, which can delay the processing of your W-1.
- The wells are now listed on a row basis.
  - A well only needs to be listed once, even if it is an Allocation or PSA.
  - In the old format, Allocation and PSA wells could potentially be listed multiple times in this section, based on the developmental acreage setup for each well.

Auto-Calculation Information:

- To ensure that the auto-calculation features of this section function properly, it is important to remember a few key tips:
  - Always start your data entry on the first line of this section. If you do not, then the auto-calculation will not function properly.
  - The auto-calculation is triggered by the Well No. (provided you have started on the first line of the section).
    - The reason for this is that every well listed in this section will always have a

Well No. This makes it an easy field to be the focus of a logical statement in the Excel file.

  - The profile selection in both Section II and in Section VI matter.
  - If you have selected a Stacked Lateral profile for any well listed in Section III, and you give it an assignment that is greater than zero, then the cell will turn red. This indicates that there is an issue with your entry. This can be corrected by changing the value to zero.
  - The Profile also relates to the UFT selection from Section II.
- UFT selection in Section II will determine which wells are auto calculated into the total:
  - Section II Profile is any type of Horizontal well:
    - Only Horizontal wells in Section III will be totaled (Stacked Laterals will be excluded)
  - Section II Profile is Vertical or Directional
    - Only Vertical and Directional wells will be totaled.

Profile:

- The Wellbore Profile cells in this section now have options that are selected from a drop-down menu.
  - These options are:
    - Vert. = Vertical Well
    - Direc. = Directional Well
    - Horiz. = Horizontal Well
    - Alloc. = Allocation Well
    - PSA = Production Sharing Agreement Well
    - SL = Stacked Lateral Well
    - Alloc.-SL = Stacked Lateral Allocation Well
    - PSA-SL = Stacked Lateral PSA Well
  - The profile selection will affect the auto-calculation features of this section, dependent upon the UFT Designation from Section II.
  - If the UFT Field selection in Section II is YES:
  - Section VI will auto-total based on a Profile basis.
    - If the Profile selection in Section II is any of the Horizontal options, then Section III will only total the Horizontal wells listed.
    - If the profile selection in Section II is either Vertical or Directional, then Section III will only total the Vertical and Directional wells that are listed.
  - The reason for these auto-calculations is because in UFT fields, Horizontal wells are separated from Vertical and Directional wells (the opposite is also true). If you have selected YES for UFT in Section II, and selected a Horizontal profile, it is not necessary to list any Vertical or Directional wells. It is suggested not to list the opposite profile, to keep the form simple; however, it is not mandatory to exclude them. Due to this it was necessary to build in intelligent auto-calculation so that your acreage totals match the field rules.

Acres From Columns:

- Columns have been added in the right side of this section.
- Each Vertical column represents a tract that is listed in Section V
- The row identifier (A, B, C, etc..) in Section V will auto-populate the header for each column.
  - This identifier cannot be changed in Section VI (or Section V). It is static.
  - The order listed in Section V (top to bottom) will determine the order of the columns in Section VI (left to right)
- The RRC ID No. or Lease No. from Section V will auto-populate into the header as well (yellow).
  - This value can be adjusted in Section VI.
    - This is to allow filers to add columns for tracts that are not shown in Section V.
    - This will be required at the time of completion when cascading changes are made to Allocation setups that are sharing tracts.

- If a well is not taking acreage for a particular developmental tract, then the cell in that column will be BLANK. (Do Not use a zero)

- If a well is a Stacked Lateral, then it will have a ZERO in the cells for any lease it is using (Do Not use a blank)

P-16 – SECTION VI (2 OF 4)

- Only Used for Allocation or PSA submissions.
  - This Section lists all wells that have acreage proposed or assigned from each tract in the developmental acreage.
- Wells listed in Section VI will follow the same rules as Section III.
  - RRC ID No./Lease name and API # follow Section III procedures.
- For a W-1 application the proposed Allocation or PSA well is now required to be listed, per the June 2022 P-16 updates.

Section VI will only be used for Allocation or PSA wells.

P-16 – SECTION VI (3 OF 4)

- Acres From (part 1):
  - If a listed well is a base lease well, then it will only have a value in the respective lease column.
  - Stacked Lateral Wells will show Zero acres.
  - If a well is not using a particular tract, then each respective column will be BLANK.
    - Do NOT put Zeroes in this case.
    - A Zero indicates that the well is using the tract, but has no acreage assigned.
    - A blank cell indicates that the well is not using that tract.

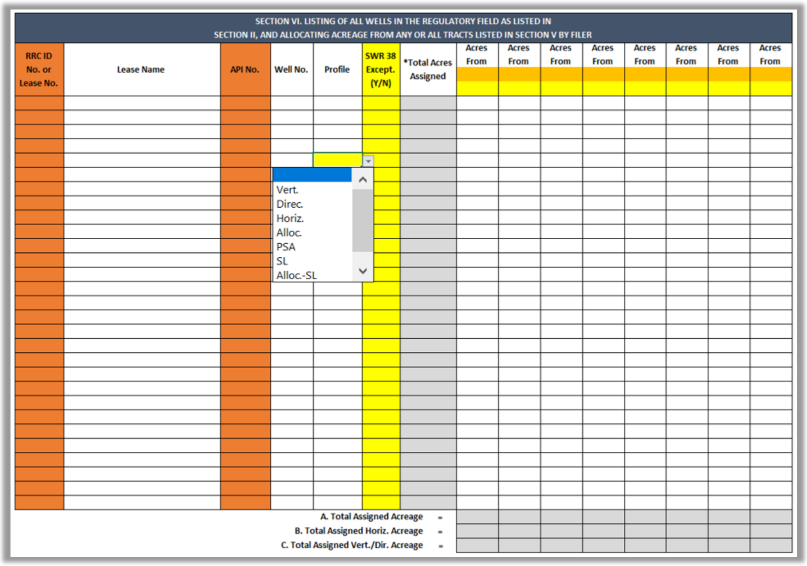
Section VI will only be used for Allocation or PSA wells.

P-16 – SECTION VI (4 OF 4)

- Acres From (Part 2):
  - For a W-1 application:
    - Proposed wells not yet completed to schedule should reflect the minimum per the field rules.
    - The cumulative assignment should equal the minimum, per the field rules, for Allocation or PSA wells.
    - Completed wells can match the schedule OR be shown as they will be at the time of completion.

Section VI will only be used for Allocation or PSA wells.

SECTION VI – COMMON ISSUES (1 OF 2)



Section VI Common Issues:

- Always begin on the 1st row.
- Do not list the same API No. more than once in this section.

SECTION VI – COMMON ISSUES (2 OF 2)

- Section not being used when Allocation or PSA is selected in Section II.
- Incorrect Lease Id’s and API Numbers.
- Zero acreage being shown for tracts that a particular well does not use. (should be blank)
- Acreage being shown for Stacked Laterals. (should be zero)
- Incorrect Profile selection.

Section VI Common Issues:

- The section not being used for an Allocation or PSA well.
- If your Profile selection in Section II is any form of Allocation or PSA well, then this section will ALWAYS be used.
- You will never use it for a regular lease well.

Incorrect Well Numbers:

- Please ensure that all Well Numbers listed match RRC records.

Incorrect Profile Selection:

- Please ensure that the Wellbore Profiles have been selected correctly in this section.
- This is important if you are permitting or completing in a UFT field, as it will help control the auto-calculation of this section.

Incorrect Lease Names and RRC ID No. or Lease Numbers:

- Please ensure that RRC ID No. or Lease Numbers listed match RRC records.
- These numbers will be used by RRC staff to look up well or lease records while reviewing the submission.

- Incorrect information will delay processing, as you will need to make corrections to the form.

Acreage Assignments:

- Issue regarding acreage assignment generally occur with the W-1 filing.
- Make sure that all proposed assignments are matching at least the minimum required by the field rules.
- Make sure that all completed well assignments are matching the proration schedule.
- As mentioned earlier, if this makes the lease look over-assigned for a W-1 P-16, that is ok, as we can see that acreage is available for reduction.
- Ensure that all wells within this acreage and field are listed
- This applies to other operators wells also.
    - If they exist within your acreage footprint, and are in the same field, they are required to be accounted for.

P-16 – PAGE 2A

- Page 2A is an addendum for Section VI.
- Auto calculation features will not cross pages, with respect to the totals.
- The totals at the bottom of any Supplemental pages (Page 1A or Page 2A, no matter how many) will only be for that page.

REVIEW P-16 BEFORE SUBMITTING !!!

Remember: *You* are your best defense in preventing problems. Please be diligent and REVIEW *before* attaching your P-16.