



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

### MEMORANDUM

**TO:** Chairman Christi Craddick  
Commissioner David Porter  
Commissioner Ryan Sitton

**FROM:** Haley Cochran, Attorney— General Counsel Section  
Office of General Counsel *HJC*

**THROUGH:** Lindil C. Fowler, General Counsel *LF*

**DATE:** January 20, 2015

**SUBJECT:** Proposed Amendment of 16 TAC §3.26, relating to Separating Devices, Tanks, and Surface Commingling of Oil, and 16 TAC §3.27, relating to Gas to be Measured and Surface Commingling of Gas; Docket Number 20-0294932.

January 27, 2015		
Approved	Denied	Abstain
<i>CC</i> <i>RR</i>		

Attached is Staff's recommendation to publish certain amendments to 16 Tex. Admin. Code §3.26, relating to Separating Devices, Tanks, and Surface Commingling of Oil, and §3.27, relating to Gas to be Measured and Surface Commingling of Gas.

Staff requests the Commission's approval to publish the proposed amendments in the *Texas Register* for a 30-day comment period. If approved at conference on January 27<sup>th</sup>, the proposal should appear in the February 13, 2015, issue of the *Texas Register*. This proposal and an online comment form would also be made available on the Commission's website the day after conference, giving interested persons more than two additional weeks to review and submit comments to the Commission.

cc: Lori Wrotenbery, Director – Oil and Gas Division  
Milton Rister, Executive Director  
Wei Wang, Chief Financial Officer

1           The Railroad Commission of Texas (Commission) proposes to amend §3.26, relating to  
2 Separating Devices, Tanks, and Surface Commingling of Oil, and §3.27, relating to Gas To Be Measured  
3 and Surface Commingling of Gas, to change the language that relates to standards for metering oil or gas.

4           The Commission received a letter dated December 8, 2014, from the Texas Oil & Gas  
5 Association, the Texas Alliance of Energy Producers, the Gas Processors Association, the Texas  
6 Independent Producers and Royalty Owners Association, the Texas Pipeline Association, and the Permian  
7 Basin Petroleum Association, concerning the Commission's practice of requiring an exception, and an  
8 exception fee, for the use of a turbine or coriolis meter. The Commission agrees with these associations  
9 that an exception is not needed in these cases and proposes clarifying amendments to §§3.26 and 3.27. In  
10 a separate notice on the Commission's website, the Commission proposes to amend Form P-17 and  
11 eliminate the Form P-17 attachment relating to these meters.

12           The Commission proposes the amendments to §§3.26 and 3.27 to provide more flexibility with  
13 respect to the use of metering devices and to eliminate the requirement for an operator to apply for an  
14 exception for devices that meet the standards referenced in the two rules. When an operator files with the  
15 Commission a Form P-17, Application for Exception to Statewide Rules 26 and/or 27, requesting an  
16 exception to use a turbine meter or coriolis meter, the operator includes an attachment stating that the  
17 meter complies with either the American Gas Association (AGA) standards for metering gas, or the  
18 American Petroleum Institute (API) standards for metering oil. The Commission does not mandate the  
19 use of such meters, nor does the Commission prohibit the use of other types of meters deemed acceptable.  
20 The rule also does not impact the ability of a mineral owner to establish a different requirement for  
21 metering oil or gas, as long as it conforms with the proposed language.

22           The Commission proposes new §3.26(a)(4) to state that, for Commission purposes, the  
23 measurement requirements of this rule are satisfied by the use of coriolis or turbine meters or any other  
24 measurement device or technology that conforms to standards established, as of the time of installation,

1 by the American Petroleum Institute (API) or the American Gas Association (AGA) for measuring oil or  
2 gas, as applicable, or approved by the Director of the Oil and Gas Division as an accurate measurement  
3 technology.

4 The Commission also proposes to delete a sentence in §3.26(d), which unnecessarily duplicates  
5 the wording in subsection (c).

6 The Commission proposes to amend §3.27(a) to add language that states that, for Commission  
7 purposes, the measurement requirements of this rule are satisfied by the use of coriolis or turbine meters  
8 or any other measurement device or technology that conforms to standards established, as of the time of  
9 installation, by the American Petroleum Institute (API) or the American Gas Association (AGA) for  
10 measuring oil or gas, as applicable, or approved by the Director of the Oil and Gas Division as an  
11 accurate measurement technology.

12 While the form is not included in this proposal, the Commission proposes to amend Form P-17 to  
13 standardize the form for ease in online filing and make conforming changes related to the proposed  
14 amendments to §§3.26 and 3.27, and to eliminate the attachment to Form P-17. More information on the  
15 proposed form is provided on the Commission's website at [www.rrc.state.tx.us](http://www.rrc.state.tx.us) under the  
16 Announcements.

17 Leslie Savage, Chief Geologist, Oil & Gas Division, has determined that for each year of the first  
18 five years the amendments as proposed will be in effect, there will be relatively minimal fiscal  
19 implications with regard to the Commission's overall budget as a result of enforcing or administering the  
20 amendments. The rules currently require an operator to obtain a rule exception and pay a fee of \$375 (an  
21 exception fee of \$150 plus a surcharge of \$225) to use a turbine or coriolis meter to measure liquids. The  
22 proposed amendments would authorize the use of such devices. During fiscal years 2013 and 2014, the  
23 Commission collected an average of \$420,000 for these exceptions. Therefore, the fiscal impact to the  
24 Commission from the loss of these exception fees is approximately \$245,000 for the remainder of Fiscal

1 Year 2015, and \$420,000 each subsequent fiscal year. There will be no fiscal effect on local government.

2 Ms. Savage has determined that for each year of the first five years that the amendments will be  
3 in effect the primary public benefit as a result of the proposed amendments will be more reasonable  
4 requirements relating to the devices used to measure oil and gas, and improved efficiency of the  
5 Commission in carrying out its mission.

6 Ms. Savage has determined that for each year of the first five years that the amendments will be  
7 in effect, there will be no economic costs for persons required to comply as a result of adoption of the  
8 proposed amendments. In fact, there should be a positive economic effect for these persons because they  
9 will no longer be required to pay \$375 (the fee and the surcharge) for each exception to use a turbine  
10 meter or coriolis meter.

11 Texas Government Code, §2006.002, relating to Adoption of Rules with Adverse Economic  
12 Effect, requires that, as a part of the rulemaking process, a state agency prepare an economic impact  
13 statement that assesses the potential impact of a proposed rule on small businesses and micro-businesses  
14 and a regulatory flexibility analysis that considers alternative methods of achieving the purpose of the rule  
15 if the proposed rule will have an adverse economic effect on small businesses or micro-businesses. The  
16 Commission has determined that the proposed amendments are not anticipated to have an adverse  
17 economic effect on small businesses or micro-businesses, and therefore, the economic impact statement  
18 and regulatory flexibility analysis described in Texas Government Code, §2006.002, are not required. The  
19 proposed amendments would allow the use of additional measuring devices without the need to obtain an  
20 exception from the Commission and pay an exception fee. In addition, the impact of the proposed  
21 amendments does not vary based on the status of an operator as a small business or micro-business.

22 Ms. Savage has also determined that the proposed amendments will not affect a local economy.  
23 Therefore, the Commission has not prepared a local employment impact statement pursuant to Texas  
24 Government Code, §2001.022.

1 Ms. Savage has determined that the amendments do not meet the statutory definition of a major  
2 environmental rule as set forth in Texas Government Code, §2001.0225(a); therefore, a regulatory  
3 analysis conducted pursuant to that section is not required.

4 Comments on the proposal may be submitted to Rules Coordinator, Office of General Counsel,  
5 Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967; online at  
6 [www.rrc.state.tx.us/legal/rules/comment-form-for-proposed-rulemakings](http://www.rrc.state.tx.us/legal/rules/comment-form-for-proposed-rulemakings); or by electronic mail to  
7 [rulescoordinator@rrc.state.tx.us](mailto:rulescoordinator@rrc.state.tx.us). The Commission will accept comments until noon (12:00 p.m.) on  
8 Monday, March 16, 2015, which is 31 days after publication in the *Texas Register*. Comments should  
9 refer to Docket No. 20-0294932. The Commission finds that this comment period is reasonable because  
10 the proposal and an online comment form will be available on the Commission's web site more than two  
11 weeks prior to *Texas Register* publication of the proposal, giving interested persons additional time to  
12 review, analyze, draft, and submit comments. The Commission encourages all interested persons to  
13 submit comments no later than the deadline. The Commission cannot guarantee that comments submitted  
14 after the deadline will be considered. For further information, call Ms. Savage at (512) 463-7308. The  
15 status of Commission rulemakings in progress is available at  
16 [www.rrc.state.tx.us/legal/rules/proposed-rules](http://www.rrc.state.tx.us/legal/rules/proposed-rules).

17 The Commission proposes the amendments to §§3.26 and 3.27 pursuant to Texas Natural  
18 Resources Code §§81.051 - 81.052, which provide the Commission with jurisdiction over all persons  
19 owning or engaged in drilling or operating oil or gas wells in Texas and the authority to adopt all  
20 necessary rules for governing and regulating persons and their operations under Commission jurisdiction;  
21 Texas Natural Resources Code §§85.201 - 85.202, which require the Commission to adopt and enforce  
22 rules and orders for the conservation and prevention of waste of oil and gas, and specifically for drilling  
23 of wells, preserving a record of the drilling of wells, and requiring records to be kept and reports to be  
24 made; Texas Natural Resources Code §§86.041 - 86.042, which give the Commission broad discretion in

1 administering the provisions of Chapter 86 of the Code, authorize the Commission, generally, to adopt  
2 any rule or order necessary to effectuate the provisions and purposes Chapter 86, and require the  
3 Commission to adopt and enforce rules and orders to conserve and prevent the waste of gas, provide for  
4 drilling wells and preserving a record of them, require wells to be drilled and operated in a manner that  
5 prevents injury to adjoining property, and require records to be kept and reports to be made; and Texas  
6 Natural Resources Code §§ 141.011 - 141.012, which authorize the Commission to regulate the  
7 exploration, development, and production of geothermal energy and associated resources and to make and  
8 enforce rules associated therewith.

9 Texas Natural Resources Code, §§ 81.051, 81.052, 85.201, 85.202, 86.041, 86.042, 141.011 and  
10 141.012 are affected by the proposed amendments.

11 Statutory authority: Texas Natural Resources Code §§ 81.051, 81.052, 85.201, 85.202, 86.041,  
12 86.042, 141.011 and 141.012.

13 Cross-reference to statute: Texas Natural Resources Code, Chapters 81, 85, 86, and 141.

14  
15 §3.26. Separating Devices, Tanks, and Surface Commingling of Oil.

16 (a) Where oil and gas are found in the same stratum and it is impossible to separate one from the  
17 other, or when a well has been classified as a gas well and such gas well is not connected to a cycling  
18 plant and such well is being produced on a lease and the gas is utilized under Texas Natural Resources  
19 Code §§ 86.181 - 86.185, the operator shall install a separating device of approved type and sufficient  
20 capacity to separate the oil and liquid hydrocarbons from the gas.

21 (1) The separating device shall be kept in place as long as a necessity for it exists, and,  
22 after being installed, such device shall not be removed nor the use thereof discontinued without the  
23 consent of the commission.

24 (2) All oil and any other liquid hydrocarbons as and when produced shall be adequately

1 measured according to the pipeline rules and regulations of the commission before the same leaves the  
2 lease from which they are produced, except for gas wells where the full well stream is moved to a plant or  
3 central separation facility in accordance with §3.55 of this title (relating to Reports on Gas Wells  
4 Commingling Liquid Hydrocarbons before Metering) (Statewide Rule 55) and the full well stream is  
5 measured, with each completion being separately measured, before the gas leaves the lease.

6 (3) Sufficient tankage and separator capacity shall be provided by the producer to  
7 adequately take daily gauges of all oil and any other liquid hydrocarbons unless LACT equipment,  
8 installed and operated in accordance with the latest revision of American Petroleum Institute (API)  
9 Manual of Petroleum Measurement Standards, Chapter 6.1 or another method approved by the  
10 commission or its delegate, is being used to effect custody transfer.

11 **(4) For commission purposes, the measurement requirements of this section are**  
12 **satisfied by the use of coriolis or turbine meters or any other measurement device or technology**  
13 **that conforms to standards established, as of the time of installation, by the American Petroleum**  
14 **Institute (API) or the American Gas Association (AGA) for measuring oil or gas, as applicable, or**  
15 **approved by the Director of the Oil and Gas Division as an accurate measurement technology.**

16 (b) In order to prevent waste, to promote conservation or to protect correlative rights, the  
17 commission may approve surface commingling of oil, gas, or oil and gas production from two or more  
18 tracts of land producing from the same commission-designated reservoir or from one or more tracts of  
19 land producing from different commission-designated reservoirs as follows:

20 (1) Administrative approval. Upon written application, the commission may grant  
21 approval for surface commingling administratively when any one of the following conditions is met:

22 (A) The tracts or commission-designated reservoirs have identical working  
23 interest and royalty interest ownership in identical percentages and therefore there is no commingling of  
24 separate interests;

1 (B) Production from each tract and each commission-designated reservoir is  
2 separately measured and therefore there is no commingling of separate interests; or

3 (C) When the tracts or commission-designated reservoirs do not have identical  
4 working interest and royalty interest ownership in identical percentages and the commission has not  
5 received a protest to an application within 21 days of notice of the application being mailed by the  
6 applicant to all working and royalty interest owners or, if publication is required, within 21 days of the  
7 date of last publication and the applicant provides:

8 (i) a method of allocating production to ensure the protection of  
9 correlative rights, in accordance with paragraph (3) of this subsection; and

10 (ii) an affidavit or other evidence that all working interest and royalty  
11 interest owners have been notified of the application by certified mail or have provided applicant with  
12 waivers of notice requirements; or

13 (iii) in the event the applicant is unable, after due diligence, to provide  
14 notice by certified mail to all working interest and royalty interest owners, a publisher's affidavit or other  
15 evidence that the commission's notice of application has been published once a week for four consecutive  
16 weeks in a newspaper of general circulation in the county or counties in which the tracts that are the  
17 subject of the application are located.

18 (2) Request for hearing. When the tracts or commission-designated reservoirs do not have  
19 identical working interest and royalty interest ownership in identical percentages and a person entitled to  
20 notice of the application has filed a protest to the application with the commission, the applicant may  
21 request a hearing on the application. The commission shall give notice of the hearing to all working  
22 interest and royalty interest owners. The commission may permit the commingling if the applicant  
23 demonstrates that the proposed commingling will protect the rights of all interest owners in accordance  
24 with paragraph (3) of this subsection and will prevent waste, promote conservation or protect correlative

1 rights.

2 (3) Reasonable allocation required. The applicant must demonstrate to the Commission or  
3 its designee that the proposed commingling of hydrocarbons will not harm the correlative rights of the  
4 working or royalty interest owners of any of the wells to be commingled. The method of allocation of  
5 production to individual interests must accurately attribute to each interest its fair share of aggregated  
6 production.

7 (A) In the absence of contrary information, such as indications of material  
8 fluctuations in the monthly production volume of a well proposed for commingling, the Commission will  
9 presume that allocation based on the daily production rate for each well as determined and reported to the  
10 Commission by semi-annual well tests will accurately attribute to each interest its fair share of production  
11 without harm to correlative rights. As used in this section, "daily production rate" for a well means the 24  
12 hour production rate determined by the most recent well test conducted and reported to the commission in  
13 accordance with §§3.28, 3.52, 3.53, and 3.55 of this title (relating to Potential and Deliverability of Gas  
14 Wells To Be Ascertained and Reported, Oil Well Allowable Production, Annual Well Tests and Well  
15 Status Reports Required, and Reports on Gas Wells Commingling Liquid Hydrocarbons before  
16 Metering).

17 (B) Operators may test commingled wells annually after approval by the  
18 Commission or the commission's delegate of the operator's written request demonstrating that annual  
19 testing will not harm the correlative rights of the working or royalty interest owners of the commingled  
20 wells. Allocation of commingled production shall not be based on well tests conducted less frequently  
21 than annually.

22 (C) Nothing in this section prohibits allocations based on more frequent well tests  
23 than the semi-annual well test set out in subparagraph (A) of this paragraph. Additional tests used for  
24 allocation do not have to be filed with the commission but must be available for inspection at the request

1 of the commission, working interest owners or royalty interest owners.

2 (D) Allocations may be based on a method other than periodic well tests if the  
3 Commission or its designee determines that the alternative allocation method will insure a reasonable  
4 allocation of production as required by this paragraph.

5 (4) Additional notice required. In addition to giving notice to the persons entitled to  
6 notice under paragraph (1)(C) of this subsection, an applicant for a surface commingling exception must  
7 give notice of the application to the operator of each tract adjacent to one or more of the tracts proposed  
8 for commingling that has one or more wells producing from the same commission-designated reservoir as  
9 any well proposed for commingling if:

10 (A) any one of the wells proposed for commingling produces from a  
11 commission-designated reservoir for which special field rules have been adopted; or

12 (B) any one of the wells proposed for commingling produces from multiple  
13 commission-designated reservoirs, unless:

14 (i) an exception to §3.10 of this title (relating to Restriction of Production  
15 of Oil and Gas from Different Strata) has previously been obtained for production from the well; or

16 (ii) the applicant continues to separately measure production from each  
17 different commission-designated reservoir produced from the same wellbore.

18 (c) If oil or any other liquid hydrocarbon is produced from a lease or other property covered by  
19 the coastal or inland waters of the state, the liquid produced may, at the option of the operator, be  
20 measured on a shore or at a point removed from the lease or other property on which it is produced.

21 (d) Oil gravity tests and reports (Reference Order Number 20-55, 647, effective 4-1-66, and  
22 Reference Order Number 20-58, 528, effective 5-10-68.) [~~if oil or any other liquid hydrocarbon is  
23 produced from a lease or other property covered by the coastal or inland waters of the state, the liquid  
24 produced may, at the option of the operator, be measured on a shore or at a point removed from the lease~~

1 ~~or other property on which it is produced.]~~

2 (1) Where individual lease oil production, or authorized commingled oil production,  
3 separator, treating, and/or storage vessels, other than conventional emulsion breaking treaters, are  
4 connected to a gas gathering system so that heat or vacuum may be applied prior to oil measurement for  
5 commission-required production reports, the operator may, at his option, apply heat or vacuum to the oil  
6 only to the extent the average gravity of the stock tank oil will not be reduced below a limiting gravity for  
7 each lease as established by an average oil gravity test conducted under the following conditions  
8 (Reference Order Number 20-55, 647, effective 4-1-66):

9 (A) the separator or separator system, which shall include any type vessel that is  
10 used to separate hydrocarbons, shall be operated at not less than atmospheric pressure;

11 (B) no heat shall be applied;

12 (C) the test interval shall be for a minimum of 24 hours, and the average oil  
13 gravity after weathering for not more than 24 hours shall then become the limiting gravity factor for  
14 applying heat or vacuum to unmeasured oil on the tested lease.

15 (2) Initial gravity tests shall be made by the operator when such separator, treating, and/or  
16 storage vessels are first used pursuant to this section. Subsequent tests shall be made at the request of  
17 either the commission or any interested party; and such subsequent tests shall be witnessed by the  
18 requesting party. Any interested party may witness the tests.

19 (3) Each operator shall enter on the face of his required production report the gravity of  
20 the oil delivered to market from the lease reported, and it is provided that should a volume of oil delivered  
21 to market from such lease separation facilities not meet the gravity requirement established by the  
22 described test, adjustment shall be made by charging the allowable of the lease on the relationship of the  
23 volume and the gravity of the particular crude.

24 (4) Where a conventional heater treater is required and is used only to break oil from an

1 emulsion prior to oil measurement, this section will not be applicable; provided, however, that by this  
2 limitation on the section, it is not intended that excessive heat may be used in conventional heater treater,  
3 and in circumstances where such heater treater is connected to a gas gathering system and it is found by  
4 commission investigation made on its own volition or on complaint of any interested party that excessive  
5 heat is used, either the provisions of this section or special restrictive regulation may be made applicable.

6  
7 §3.27. Gas To Be Measured and Surface Commingling of Gas.

8 (a) All natural gas, except casinghead gas, produced from wells shall be measured, with each  
9 completion being measured separately, before the gas leaves the lease, and the producer shall report the  
10 volume produced from each completion to the commission. **For commission purposes, the**  
11 **measurement requirements of this section are satisfied by the use of coriolis or turbine meters or**  
12 **any other measurement device or technology that conforms to standards established, as of the time**  
13 **of installation, by the American Petroleum Institute (API) or the American Gas Association (AGA)**  
14 **for measuring oil or gas, as applicable, or approved by the Director of the Oil and Gas Division as**  
15 **an accurate measurement technology.** Exceptions to this provision may be granted by the commission  
16 upon written application.

17 (b) All casinghead gas sold, processed for its gasoline content, used in a field other than that in  
18 which it is produced, or used in cycling or repressuring operations, shall be measured before the gas  
19 leaves the lease, and the producer shall report the volume produced to the commission. Exceptions to this  
20 provision may be granted by the commission upon written application.

21 (c) All casinghead gas produced in this state which is not covered by the provisions of subsection  
22 (b) of this section, shall be measured before the gas leaves the lease, is used as fuel, or is released into the  
23 air, based on its use or on periodic tests, and reported to the commission by the producer. The volume of  
24 casinghead gas produced by wells exempt from gas/oil ratio surveys must be estimated, based on general

1 knowledge of the characteristics of the wells. Exceptions to this provision may be granted by the  
2 commission upon written application.

3 (d) Releases and production of gas at a volume or daily flow rate, commonly referred to as "too  
4 small to measure" (TSTM), which, due to minute quantity, cannot be accurately determined or for which  
5 a determination of gas volume is not reasonably practical using routine oil and gas industry methods,  
6 practices, and techniques are exempt from compliance with this rule and are not required to be reported to  
7 the commission or charged against lease allowable production.

8 (e) In order to prevent waste, to promote conservation or to protect correlative rights, the  
9 commission may approve surface commingling of gas or oil and gas described in subsections (a), (b) or  
10 (c) of this section and produced from two or more tracts of land producing from the same  
11 commission-designated reservoir or from one or more tracts of land producing from different  
12 commission-designated reservoirs in accordance with §3.26(b) of this title (relating to Separating  
13 Devices, Tanks, and Surface Commingling of Oil).

14 (f) In reporting gas well production, the full-well stream gas shall be reported and charged against  
15 each gas well for allowable purposes. All gas produced, including all gas used on the lease or released  
16 into the air, must be reported regardless of its disposition.

17 (g) If gas is produced from a lease or other property covered by the coastal or inland waters of the  
18 state, the gas produced may, at the option of the operator, be measured on a shore or at a point removed  
19 from the lease or other property from which it was produced.

20 (h) All natural hydrocarbon gas produced and utilized from wells completed in geothermal  
21 resource reservoirs shall be measured and allocated to each individual lease based on semiannual tests  
22 conducted on full well stream lease production.

23 (i) For purposes of this rule, "measured" shall mean a determination of gas volume in accordance  
24 with this rule and other rules of the commission, including accurate estimates of unmetered gas volumes

1 released into the air or used as fuel.

2 (j) No meter or meter run used for measuring gas as required by this rule shall be equipped with a  
3 manifold which will allow gas flow to be diverted or bypassed around the metering element in any  
4 manner unless it is of the type listed in paragraphs (1) or (2) of this subsection:

5 (1) double chambered orifice meter fittings with proper meter manifolding to allow  
6 equalized pressure across the meter during servicing;

7 (2) double chambered or single chambered orifice meter fittings equipped with proper  
8 meter manifolding or other types of metering devices accompanied by one of the following types of meter  
9 inspection manifolds:

10 (A) a manifold with block valves on each end of the meter run and a single block  
11 valve in the manifold complete with provisions to seal and a continuously maintained seal record;

12 (B) an inspection manifold having block valves at each end of the meter run and  
13 two block valves in the manifold with a bleeder between the two and with one valve equipped with  
14 provisions to seal and continuously maintained seal records;

15 (C) a manifold equipped with block valves at each end of the meter run and one  
16 or more block valves in the manifold, when accompanied by a documented waiver from the owner or  
17 owners of at least 60% of the royalty interest and the owner or owners of at least 60% of the working  
18 interest of the lease from which the gas is produced.

19 (k) Whenever sealing procedures are used to provide security in the meter inspection manifold  
20 systems, the seal records shall be maintained for at least three years at an appropriate office and made  
21 available for Railroad Commission inspection during normal working hours. At any time a seal is broken  
22 or replaced, a notation will be made on the orifice meter chart along with graphic representation of  
23 estimated gas flow during the time the meter is out of service.

24 (l) All meter requirements apply to all meters which are used to measure lease production,

1 including sales meters if sales meter volumes are allocated back to individual leases.

2 (m) The commission may grant an exception to measurement requirements under subsections (a),  
3 (b) and (c) of this section if the requirements of this subsection are met. An exception granted under this  
4 subsection will be revoked if the most recent well test or production reported to the commission reflects a  
5 production rate of more than 20 MCF of gas per day or if any of the other requirements for an exception  
6 under this subsection are no longer satisfied. An applicant seeking an exception under this subsection  
7 must file an application establishing:

8 (1) the most recent production test reported to the commission demonstrates that the gas  
9 well or oil lease for which an exception is sought produces at a rate of no more than 20 MCF of gas per  
10 day;

11 (2) an annual test of the production of the gas well or oil lease provides an accurate  
12 estimate of the daily rate of gas flow;

13 (3) the flow rate established in paragraph (2) of this subsection multiplied by the recorded  
14 duration determined by any device or means that accurately records the duration of production each  
15 month yields an accurate estimate of monthly production; and

16 (4) the operator of the pipeline connected to the gas well or oil lease concurs in writing  
17 with the application.

18

1 (n) Failure to comply with the provisions of this rule will result in severance of the producing  
2 well, lease, facility, or gas pipeline or in other appropriate enforcement proceeding.

3 This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be  
4 within the agency's authority to adopt.

5 Issued in Austin, Texas on January 27, 2015.

6 Filed with the Office of the Secretary of State on January 27, 2015.

Haley Cochran

Haley Cochran  
Rules Attorney, Office of General Counsel  
Railroad Commission of Texas