Drilling Permits Statewide Rule 37 & 38 Exceptions

Christopher Houston, Johnnethan Washington and Sherri Gore
Presentation Overview

• Terminology associated with exception applications

• Statewide Rule Exception Triggers

• Notification parameters

• Plat requirements

• Different ways to resolve SWR exceptions
### Drilling Permits Statewide Rule 37 & 38 Exceptions

#### Statewide Rule Exceptions
Are you applying for any SWR exceptions? Check all that apply.
- [ ] SWR 37 Lease Line
- [ ] SWR 37 Between Well
- [ ] SWR 37 Interior Lease Line - P12 Must Be Attached
- [ ] SWR 38
- [ ] SWR 38(d)(3)
- [ ] SWR39 - Total Acreage is non-contiguous, separated by something other than ROW

*required information
** required only if Utilized

#### Field Rules

**Oil Field Rules:**

<table>
<thead>
<tr>
<th>County Regular: N</th>
<th>Salt Dome: N</th>
<th>Field Location: LAND</th>
<th>Don't Permit: N</th>
<th>Schedule Remarks: AFTER TESTING THE WELL.</th>
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<tbody>
<tr>
<td>Comments: R38 OK W/O DATA, P-15, S, ACLIST &amp; LEASE PLAT OR PRO PLAT</td>
<td></td>
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<th>Diagonal Code</th>
<th>Diagonal Max Length</th>
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<tbody>
<tr>
<td>Special Rules (All Depths)</td>
<td>330</td>
<td>0</td>
<td>80.0</td>
<td>80.0</td>
<td>Corner to Corner</td>
<td>0</td>
<td></td>
</tr>
</tbody>
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**Gas Field Rules:**

<table>
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<tr>
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<th>Field Location: LAND</th>
<th>Don't Permit: N</th>
<th>Schedule Remarks: 15 EARLIER.</th>
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Drilling Permits Statewide Rule 37 & 38 Exceptions

### Special Horizontal Field Rules

**Correlative Interval:** From 8865 to 10605 feet

**Established by API Number:** 32931029

**Dual Lease Line Take Point Spacing**

- **First/Last Take Points (Heel and Toe) to Lease Line:** 100 feet
- **Perpendicular Spacing from All Take Points to Lease Line:** 330 feet

**Off-Lease Penetration Point:** Yes

**Between-Well Spacing**

- **Horizontal to Vertical:** 0 feet
- **Horizontal to Horizontal:** 0 feet
- **Overlap Distance:** N/A

**Subsurface Tolerance Box:** 50 feet

**Non-Perforation Zone (NPZ):** Yes

**Stacked Lateral Rules:** Yes (If yes, see Final Order for details)

### Special Rule 38 (Well Density) Provision

<table>
<thead>
<tr>
<th>Upper</th>
<th>79 acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower</td>
<td>20 acres</td>
</tr>
</tbody>
</table>

**Notification Radius:** 660 feet

### Comments for the Special Field Rules

**Comments:** DOCKET NUMBER 7C-0291171 IS THE SECOND DOCKET APPROVED FOR THIS FIELD.

### History: Final Orders that contain special horizontal field rules language

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<tr>
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<td>12/02/2014</td>
<td>Click Here</td>
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</table>
SWR 37 & 38 terminology you should know.

- OFFSET

- WAIVER-
  1. Basic information required
  2. Information on waiver must match permit application
  3. We will not accept waivers older than 6 months
Example of generic waiver
Drilling Permits Statewide Rule 37 & 38 Exceptions

SWR 37 & 38 terminology you should know.

- SERVICE LIST

- UNAFFECTED
  1. lease spacing
  2. between well
  3. Density
SWR 37 LEASE LINE EXCEPTIONS

What triggers a SWR 37 lease line exception?

• Vertical well

• Directional well

• Horizontal well

1. SWR 86 field

2. Field with special horizontal rules
Drilling Permits Statewide Rule 37 & 38 Exceptions

Vertical Well in Productive Zone

WELLBORE IN PRODUCTIVE ZONE
Lease line spacing and between well determination based on BHL.
Drilling Permits Statewide Rule 37 & 38 Exceptions

Horizontal Well Productive Zone

Horizontal Drainhole Containing the Productive Portions of the Well Bore
SWR 37 SPACING EXCEPTIONS

What triggers a SWR 37 Lease Line exception?

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<td>933</td>
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<td>Optional Rules</td>
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## Drilling Permits Statewide Rule 37 & 38 Exceptions

### Special Horizontal Field Rules

- **Correlative Interval:** From 6865 to 10605 feet
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- **Dual Lease Line Take Point Spacing**
  - First/Last Take Points (Heel and Toe) to Lease Line: 100 feet
  - Perpendicular Spacing from All Take Points to Lease Line: 330 feet
- **Between-Well Spacing**
  - Horizontal to Vertical: 0 feet
  - Horizontal to Horizontal: 0 feet
  - Overlap Distance: N/A
- **Subsurface Tolerance Box:** 50 feet
- **Non-Perforation Zone (NPZ):** Yes

### Special Rule 38 (Well Density) Provision

| Upper: 79 acres | Notification Radius: 660 feet |
| Lower: 20 acres |

### Comments for the Special Field Rules

- **Comments:** DOCKET NUMBER 7C-0291171 IS THE SECOND DOCKET APPROVED FOR THIS FIELD.

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Drilling Permits Statewide Rule 37 & 38 Exceptions

HORIZONTAL WELL PLAT
Plat requirements For Lease Line SWR 37 exception

- The plat must clearly show all offset interests within whichever is **greatest** between the *lease line spacing or half of the between well spacing* for the field in question.  
  Example: LL = 467’ BW= 1200’ so half of BW = 600’ this value is greater than 467’ so offsets within **600’** of well location must be shown on plat.

- Vertical well – from location of the well
- Directional well – from the BHL of the well
- Horizontal well - portion of well within the correlative interval

All plats used for SWR exceptions must be certified with a surveyors stamp or signature from operator representative.
Plat requirements For Lease Line SWR 37 exception

Special horizontal field rules- dual lease line provisions

The plat must clearly show all offset interests within the prescribed heel and toe distances and within the minimum lease line distance along the well bore path.

All plats used for SWR exceptions must be certified with a surveyors stamp or signature from operator representative.
Drilling Permits Statewide Rule 37 & 38 Exceptions

HORIZONTAL OFFSET PLAT
RESOLUTIONS TO SWR 37 EXCEPTIONS

LEASE LINE:

• You are your own offset.

• You have waivers from affected offsets.

• Provide service list for 21-day notification of affected offsets.

• If unable to locate affected parties request to set up for publication of notice for 4 consecutive weeks
**Drilling Permits Statewide Rule 37 & 38 Exceptions**

**SWR 37 SPACING EXCEPTIONS**

What triggers a SWR 37 Between Well exception?

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Drilling Permits Statewide Rule 37 & 38 Exceptions

Plat requirements for Between Well SWR 37 exception

- All offset interests must be clearly labeled on plat around the entire lease or pooled unit.
- Read rule 37 for full requirements (copy in handout)
- Could include
  1. Offset operators or
  2. Lessee or
  3. Unleased mineral owner.

All plats used for SWR exceptions must be certified with a surveyors stamp or signature from operator representative.
Drilling Permits Statewide Rule 37 & 38 Exceptions

BETWEEN WELL AND DENSITY OFFSET PLAT
RESOLUTIONS TO SWR 37 EXCEPTIONS

BETWEEN WELL:

• You are your own offset.

• You have waivers from affected offsets.

• Provide service list for 21-day notification of affected offsets.

• If unable to locate affected parties request to set up for publication of notice for 4 consecutive weeks
RESOLUTIONS TO SWR 37 EXCEPTIONS

BETWEEN WELL: CONTINUED

• Unaffected status

1. Offset resides in another state or country

2. For larger leases/pooled units that affected offsets are more than 1 mile away from well location.

✓ Provide offset plat that shows entire lease
✓ Show 1 mile radius around well
✓ Letter requesting Unaffected status for those offsets more than 1 mile away including drainage calculations
Drilling Permits Statewide Rule 37 & 38 Exceptions
SWR 38 WELL DENSITY EXCEPTIONS

What triggers a SWR 38 density exception?

Number of wells X the minimum acreage needed should be less than or equal to the lease/pooled unit acreage.
Plat requirements for SWR 38 exception

- all offset interests must be clearly labeled on plat around the entire lease or pooled unit.
- Could include
  1. Offset operators or
  2. Lessee or
  3. Unleased mineral owner.

Verify that your field does not have special notification requirements

All plats used for SWR exceptions must be certified with a surveyor's stamp or signature from operator representative.
# Drilling Permits Statewide Rule 37 & 38 Exceptions

## Special Horizontal Field Rules

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**Off-Lease Penetration Point:** Yes

**Between-Well Spacing**
- **Horizontal to Vertical:** 0 feet  
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- **Overlap Distance:** N/A  
**Subsurface Tolerance Box:** 50 feet  
**Non-Perforation Zone (NPZ):** Yes

**Stacked Lateral Rules:** Yes (If yes, see Final Order for details)

### Special Rule 38 (Well Density) Provision

- **Upper:** 79 acres  
- **Lower:** 20 acres  
**Notification Radius:** 660 feet

## Comments for the Special Field Rules

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Drilling Permits Statewide Rule 37 & 38 Exceptions

BETWEEN WELL AND DENSITY OFFSET PLAT
VERTICAL WELL OFFSET PLAT- SWR 38 WITH SPECIAL NOTIFICATION REQUIREMENTS
RESOLUTIONS TO SWR 38 EXCEPTIONS

• You are your own offset.

• You have waivers from affected offsets.

• Provide service list for 21-day notification of affected offsets.

• If unable to locate affected parties request to set up for publication of notice for 4 consecutive weeks.
RESOLUTIONS TO SWR 38 EXCEPTIONS

WELL DENSITY: CONTINUED

• Unaffected status

1. Offset resides in another state or country

2. For larger leases/pooled units that affected offsets are more than 1 mile away from well location.

✓ Provide offset plat that shows entire lease
✓ Show 1 mile radius around well
✓ Letter requesting Unaffected status for those offsets more than 1 mile away including drainage calculations
Drilling Permits Statewide Rule 37 & 38 Exceptions
RESOLUTIONS TO SWR 38 EXCEPTIONS: Continued

Once notification has occurred with no protests then processing of application continues.

1. If no data is required then permit is administratively approved.

2. If data is required then RRC technical examiner will review the information you have provided.
Railroad Commission of Texas
Oil and Gas Division - Permitting Services

GEOLOGICAL AND ENGINEERING DATA
REQUIRED FOR
STATEWIDE RULE 38 ADMINISTRATIVE EXCEPTIONS

Applicants for exceptions to Statewide Rule 38 density provisions are required to submit the following engineering and geological information for each applied-for field in support of the request when seeking administrative approval.

FOR ALL APPLICATIONS
1. Area map showing mineral ownership of offsetting wells, offsetting leases, and leased tracts.
2. Cross section(s) indicating continuity or discontinuity of reservoir.
3. Structure map and/or isopach map indicating limits of reservoir (if relevant).
4. Recoverable reserve calculations for subject lease, pooled unit, or unitized tract, with supporting data.
5. Cumulative production from wells on subject lease, pooled unit, or unitized tract that ever produced from each applied-for field.
6. Estimated of remaining recoverable reserves from existing wells on subject lease, pooled unit, or unitized tract, with supporting data.

WHEN THE REQUESTED EXCEPTION IS TO PREVENT WASTE
7. Items 1-6, above.
8. Estimate of remaining recoverable reserves from offset wells affective subject lease, pooled unit, or unitized tract, with supporting data.
9. Cumulative production from offset wells affecting subject lease, pooled unit, or unitized tract.
10. Amount of recoverable reserves which will not be recovered by wells on or affecting the subject lease, pooled unit, or unitized tract.

Other relevant information may be required to evaluate the request. If any of the above required data cannot be submitted, the applicant must include a written explanation.

April 1997

See notice on reverse side
EXAMPLE OF RESERVE CALCULATIONS
Drilling Permits Statewide Rule 37 & 38 Exceptions

W-1 A CAN BE USED TO GET THE FIRST WELL ON A LEASE OR THE LAST WELL.

Certification for an Operator Seeking a Permit on a Lease, Pooled Unit or Unitized Tract which Contains Substandard Acreage as Defined by Either Statewide Rule 38 or by Special Field Rules.

A. This lease, pooled unit or unitized tract was established as a separate tract in its present size and shape on

(mm/dd/yy) and has remained as such since that date.

B. The ownership in this lease, unitized tract or the drill site tract of a pooled unit has not:

I) been the same as or common to the ownership of any adjoining tract at any time after the date set forth in paragraph A.; and,

II) been unitized or pooled with any adjoining tract and accepted as a single tract for any Commission approved development or allowable purpose.
HOW DOES THE W-1A WORK

• If the date that the tract took its size and shape is prior to the field rules going into effect a permit can be granted on sub-standard acreage.

• If this is the last well on the lease and you have the specified tolerance acreage available and the tract took its size and shape prior to the field rules going into effect then a permit can be granted on sub-standard acreage.
Important things to remember:

• To ensure un-interrupted processing

1. Make sure you file a certified plat that clearly shows the affected offsets.

2. If filing in fields with special horizontal rules make sure that if you know an exception is needed that you manually flag your application.

3. Lastly call us if you have any questions before you file the application.
Contact Information

For more questions concerning SWR exceptions contact

Chris Houston,
Johnnethan Washington
Sherri Gore

512-463-6751