

Section C – Form P-7 and Oil Allowable

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§ 3.42 – SWR 42 – OIL DISCOVERY ALLOWABLE

- (1) The discovery allowable rate for oil wells proven to be competed in a new and separate reservoir shall be determined from the following discovery allowable schedule.

Scale of Allowables

Interval of Depth	Daily Well Allowable	
	Onshore	Offshore
0-999	100 barrels	300 barrels
1,000- 1,999	100 barrels	300 barrels
2,000- 2,999	100 barrels	300 barrels
3,000- 3,999	100 barrels	300 barrels
4,000- 4,999	130 barrels	330 barrels
5,000- 5,999	160 barrels	360 barrels
6,000- 6,999	200 barrels	400 barrels
7,000- 7,999	270 barrels	470 barrels
8,000- 8,999	340 barrels	540 barrels
9,000- 9,999	440 barrels	640 barrels
10,000-10,499	510 barrels	710 barrels
10,500- 10,999	590 barrels	790 barrels
11,000- 11,499	670 barrels	870 barrels
11,500- 11,999	750 barrels	950 barrels
12,000- 12,499	830 barrels	1,030 barrels
12,500- 12,999	910 barrels	1,110 barrels
13,000- 13,499	1,000 barrels	1,200 barrels
13,500- 13,999	1,100 barrels	1,300 barrels
14,000- 14,499	1,200 barrels	1,400 barrels
14,500- 14,999	1,360 barrels	1,560 barrels
15,000- 15,499	1,520 barrels	1,720 barrels
15,500- 15,999	1,760 barrels	1,960 barrels

- (2) Duration and exemption from market demand limitation.
- (A) Onshore. Each oil well competed in an oil reservoir determined by the Commission to be a new onshore oil field may receive, as a maximum daily, its discovery allowable, exempt from market demand limitation, for a period of 24 months (36 months for depth intervals deeper than 10,000 feet) from the date of assignment of the oil allowable to such discovery well or until the 11th oil well has been competed therein, whichever occurs first.
 - (B) Offshore. Each oil well completed in an oil reservoir determined by the Commission to be a new offshore oil field may receive, as a maximum daily

allowable, its discovery oil allowable, exempt from market demand limitation, for a period of 24 months (36 months for depth intervals deeper than 10,000 feet) from the date of assignment of the oil allowable to such discovery well or until the sixth oil well has been completed therein, whichever occurs first.

- (3) The Director or the director's delegate shall review the production performance of discovery wells to evaluate whether waste is occurring due to the discovery allowable. If the Director or the director's delegate believes waste is or may be occurring, the Director or the director's delegate may request any additional relevant information from the operator and may set the matter of hearing to allow the Commission to determine if the discovery allowable should be lowered to prevent waste.

Note: Subsurface pressure test has been moved SWR 41 and has been changed to allow alternative methods of obtaining the bottom hole pressure. The new rule also states that the W-7 report must be filed with the P-7 application.

§3.45 – SWR 45 – Oil Allowable

(a) Oil Allowable Yardsticks.

- (1) 1947 allowable yardstick. The following schedule allowable shall be assigned all wells according to depth of the reservoir and proration unit size authorized by the Commission upon expiration of the discovery allowable, if discovery of the field occurred prior to January 1, 1965, if paragraph (3) of this subsection does not apply.

Depth	10Ac.	20Ac.	40Ac.
0-1,000	18	28	
1,000-1,500	27	37	57
1,500-2,000	36	46	66
2,000-3,000	45	55	75
3,000-4,000	54	64	84
4,000-5,000	63	73	93
5,000-6,000	72	82	102
6,000-7,000	81	91	111
7,000-8,000	91	101	121
8,000-8,500	103	113	133
8,500-9,000	112	122	142
9,000-9,500	127	137	157
9,500-10,000	152	162	182
10,000-10,500	190	210	230
10,500-11,000		225	245
11,000-11,500		255	275
11,500-12,000		290	310
12,000-12,500		330	350
12,500-13,000		375	395
13,000-13,500		425	445
13,500-14,000		480	500
14,000-14,500		540	560

- (2) **1965 allowable yardstick.** The following schedule allowable shall be assigned all wells according to depth of the reservoir and proration unit size authorized by the Commission upon expiration of the discovery allowable if discovery of the field occurred on or after January 1, 1965.

Depth	10Ac.	20Ac.	40Ac.	80Ac.	160Ac.
0 - 2,000	21	39	74	129	238
2,000 - 3,000	22	41	78	135	249
3,000 - 4,000	23	44	84	144	265
4,000 - 5,000	24	48	93	158	288
5,000 - 6,000	26	52	102	171	310
6,000 - 7,000	28	57	111	184	331
7,000 - 8,000	31	62	121	198	353
8,000 - 8,500	34	68	133	215	380
8,500 - 9,000	36	74	142	229	402
9,000 - 9,500	40	81	157	250	435
9,500 - 10,000	43	88	172	272	471
10,000 - 10,500	48	96	192	300	515
10,500 - 11,000		106	212	329	562
11,000 - 11,500		119	237	365	621
11,500 - 12,000		131	262	401	679
12,000 - 12,500		144	287	436	735
12,500 - 13,000		156	312	471	789
13,000 - 13,500		169	337	506	843
13,500 - 14,000		181	362	543	905
14,000 - 14,500		200	400	600	1,000

(3) Exception. Wells in fields discovered prior to January 1, 1965, whose discovery allowable either have expired or will expire subsequent to July 1, 1964, upon expiration of the discovery allowable, may be assigned allowable pursuant to the 1965 yardstick, if such allowable exceed those which would be assigned pursuant to the 1947 yardstick, or if the proration unit size authorized by the Commission is not provided for in the 1947 yardstick. It is provided that any adjustment made in allowable assignment pursuant to this paragraph shall not be made prior to the effective date of this order. Retroactive adjustment shall not be allowed.

(4) Texas offshore allowable yardstick.

Depth	40 Acres	80 Acres	160 Acres
0 - 2,000	200	330	590
2,000 - 3,000	220	360	640
3,000 - 4,000	245	400	705
4,000 - 5,000	275	445	785
5,000 - 6,000	305	490	856
6,000 - 7,000	340	545	950
7,000 - 8,000	380	605	1,050
8,000 - 9,000	420	665	1,150
9,000 - 10,000	465	730	1,260
10,000 - 11,000	515	800	1,380
11,000 - 12,000	565	875	1,500
12,000 - 13,000	620	950	1,625
13,000 - 14,000	675	1,030	1,750
14,000 - 15,000	735	1,115	1,880

(b) Assignment of allowable for wells under statewide rules.

- (1) All wells completed in fields operating under statewide rules which were assigned the 20-acre yardstick allowable prior to the adoption of the new spacing rule on October 1, 1962, will be continued at the same allowable rate unless, after notice and hearing, special rules or other special orders are adopted that would provide for a higher producing rate. Any new well completed in such a reservoir will be given the same allowable rate as is assigned the other wells even though it has been drilled as a regular location under the new statewide spacing rule and density rule.
- (2) All wells completed in fields operating under statewide rules that are presently on discovery status or have had discovery status terminated subsequent to the adoption of the new state spacing rule on October 1, 1962, will be given the 40-acre yardstick allowable, until such time as a change is ordered by the Commission.

(c) Production of marginal wells.

- (1) To artificially curtail the production of any "marginal well" below the marginal limit prior to its ultimate plugging and abandonment is hereby declared to be waste, and no rule or order of the Railroad Commission of Texas, or other constituted legal authority shall be entered requiring restriction of the production of any "marginal well" as defined in this chapter.
- (2) Application of paragraph (1) of this subsection shall be confined to unrestricted operating conditions which accord with established operating rules of the Commission and shall be subject to all operating conditions designed to prevent waste imposed by the Commission, which conditions apply to all wells alike. (Reference Order Number 20-54,115, effective January 1, 1965.)

General Forms Required for a New Field Designation

Check List	Form	Authorized by Statewide Rule
	P-7	SWR 41 – Application form.
	2 ½ Mile Radius Map	Required – All Wells in 2 ½ mile radius and their producing intervals including total depths on plugged wells and dry holes.
	Cross Sections Seismic Sections Structure Maps 3-D Seismic Maps	Required to prove separation. If there is a similar reservoir or productive interval within the 2.5-mile radius.
	Pressure Data	Must have static pressure from NFD well and current pressures from wells that you are trying to prove separation form.
	Logs	Note: New field discovery cannot be approved until completion papers have been received.
	W-7	Required – On all oil wells/If gas well SI BHP should be submitted on Form G-1.

Questions and Answers Pertaining to the New Field Designation and/or Discovery Allowable Application

Questions Pertaining to (Form, Rule, Procedure)	Question	Answer	Contact
P-7	What do we need to file with the P-7?	An area map with a 2.5-mile radius surrounding the discovery well. All perforated intervals must be shown on all surrounding wells and total depths must be shown on plugged wells or dry holes. The discovery well log section (minimum SP or gamma ray) showing the top and bottom of the reservoir (Item 13 & 14 on Form P-7) must be provided for correlation with existing offset completions. A service list of notice given to offset operators.	512-463-1126

P-7	What needs to be shown on 2.5-mile map?	All perforated intervals of past or present production indicated either on the map or on an attachment referencing these wells. Completion depths and producing formations of all wells within the 2-1/2 mile circumference. on the map. Names of all existing fields within the 2-1/2 mile circumference including producing formations and approximate average depth of the producing interval. This may be submitted in tabular format if there is not enough space on the map. The map and table should be key coded so that the wells may easily be identifiable. The map should include a scale, legend and name of the person who prepared the map. See the above question.	512-463-1126
P-7	Do we need to notify mineral interest owners?	No. SWR 41 Rule does not require mineral interest owners to be notified.	512-463-1126
P-7	Is there a filing fee?	No.	512-463-1126
P-7	Do we need to find all the perforations on all the wells in the 2.5-mile radius?	Yes, as many as possible. Contact the Engineering Unit in Austin if you have further questions.	512-463-1126
P-7	Do I need to send more than one copy?	No. The original is all that is needed.	512-463-1126
P-7	Where should the P-7 be submitted?	The P-7, area map, service list, and any other supplemental information should be	512-463-1126

		submitted directly to the Austin Office.	
P-7	Do we have to file our log with the P-7?	Yes, you must file at least the gamma ray section of the discovery well log showing the top and bottom of the reservoir (Items 13 & 14 on Form P-7). If you choose to file an L-1 requesting confidentiality with your W-2 or G-1, the section of the discovery well log showing the top and bottom of the reservoir will be required for review and correlation by the Commission staff. The heading, scale, and identifiers are also needed, if only a portion of the log is filed.	512-463-1126
P-7	How are field names and numbers assigned?	They are arranged both alphabetically and numerically in the Commission field listings. The field name should include a surface and subsurface field locator. EXAMPLE: Monahans (Clearfork). Monahans represents surface location or site. Clearfork is the producing reservoir.	512-463-1126
P-7	What is an offset operator?	The operator of any lease that touches your lease.	512-463-1126
P-7	What is nearest production?	Nearest production from any reservoir, including past production from the subject wellbore, if any.	512-463-1126
P-7	What is nearest comparable production?	Production from a similar reservoir or similar depth.	512-463-1126

P-7 / SWR 41	If a discovery well is either a directional or horizontal drill, is it required that both TVD (total vertical depth) and MD (measured depth) be reported on the Form P-7?	Yes. The TVDs of the perforations and MD are also needed on any wells that appear on the 2.5-mile radius map.	512-463-1126
P-7	Can shut-in bottom hole pressure (BHP) differences be used to prove separation and establish new fields?	In some cases, yes. Provided that the wells are very close to one another, and the reservoirs have sufficient permeability to produce without fracture stimulation. The BHP's also need to be static BHP's or BHP's calculated from surface pressures from wells that produce no liquid hydrocarbons or water.	512-463-1126
P-7	Do we have to file the Form W-7 with the P-7 application?	Yes, SWR 41 has changed as of December 15, 1998. The new rule does allow alternative methods for obtaining the shut-in bottom hole pressure.	512-463-1126

New Field Designation And/or Discovery Allowable Application

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

NEW FIELD DESIGNATION AND/OR DISCOVERY ALLOWABLE APPLICATION

FORM P-7
Rev. 2/89

READ INSTRUCTIONS ON BACK

1. Operator Name, exactly as shown on P-5 Organization Report		2. RRC District No	
3. Address, including city, state, and zip code		4. County	
		5. API No	
6. Lessee Name		7. Well No	8. Drilling Permit No
9. Section		Abstract No	
10. Name of Producing Zone		11. Distance and direction from subject well to nearest geographic feature (town or other feature)	
12. Field Name Preference			
First _____		13. Top of reservoir _____ feet	14. Bottom of reservoir _____ feet
Second _____		15. Perforations from _____ to _____ from _____ to _____	
Third _____			
16. POTENTIAL TEST INFORMATION: Date test form filed with RRC district office _____			
a <input type="checkbox"/> W-2 filed _____ BOPD _____ BWPD _____ 'API Gravity _____ Cashd Gas Gravity _____ GOR _____ b <input type="checkbox"/> G-1 filed _____ ACF (Mcf/D) _____ BHP _____ 'API Gravity (Cond) _____ Gas Gravity _____ Gas-Liq HC Ratio _____			
17. Nearest production to subject well (oil and/or gas, past or present, regardless of depth)			
a. Field Name _____		b. Type of production <input type="checkbox"/> Oil <input type="checkbox"/> Gas	
c. Reservoir Name _____		d. Depth interval _____ to _____	
e. Distance and direction from subject well _____			
18. Nearest comparable production to subject well from same stratigraphic member (oil and/or gas, past or present)			
a. Field Name _____		b. Type of production <input type="checkbox"/> Oil <input type="checkbox"/> Gas	
c. Reservoir Name _____		d. Depth interval _____ to _____	
e. Distance and direction from subject well _____			
19. a. Notice of application has been given by furnishing a completed copy of this form to:			
<input type="checkbox"/> Each offset operator.			
<input type="checkbox"/> All co-operators within a 2.5 mile radius of the discovery well in the involved field(s) if this is a newly discovered reservoir in a known producing multi-reservoir structure.			
b. Date notice was given _____			
c. Attach list of names and mailing addresses of those given notice _____			
CERTIFICATE			
Signature _____		I declare under penalties prescribed in Sec. 91.143, Texas Natural Resources Code, that I am authorized to make this report, that this report was prepared by me or under my <u>supervision</u> and direction, and that the data and facts stated herein are true, correct, and complete to the best of my knowledge.	
Name _____			
Title _____			
Date _____ Phone _____			
FOR RRC - NEW FIELD USE ONLY			
<input type="checkbox"/> Approved _____ Field Name _____		Examiner _____	
<input type="checkbox"/> Denied _____		Name _____	
<input type="checkbox"/> Having _____ Type of _____		Date _____	
Set _____ Separation _____			

INSTRUCTIONS

Form P-7: Application for New Field Designation and/or Discovery Allowable

Reference: Statewide Rules 16, 41 and 42

Drilling Permit Requirement: A valid drilling permit showing a wildcat field must have been issued before this application can be processed.

Who Files Form P-7: Any operator seeking a new field designation and, for oil wells, a discovery allowable by proving that a new completion is in a reservoir separated both vertically and horizontally from all other reservoirs. Separation may be proved by, but not limited to, subsurface structure, changes in stratigraphy, or differences in fluid contacts or reservoir pressures.

When and Where to File: At the same time as completion papers (W-2 for oil, G-1 for gas). The Form P-7 with attachments (see below) is filed with the Commission in Austin while the completion papers are filed with the appropriate Railroad Commission district office. Wells will not be assigned an allowable until the completion papers and new field application have been approved.

What to File: The original of this form with the following attachments:

1. Legible area map, drawn to scale, preferably 1" equals 2000', showing
 - a. all oil, gas and abandoned wells within a 2.5 mile radius of the subject well with
 - (1) producing intervals (perforations) of oil, gas and once abandoned wells that penetrate to the same general depth,
 - (2) total depths of all relevant dry holes, and
 - (3) total depths of all wells that have penetrated the subject zone,
 - b. all Railroad Commission recognized fields, currently active or active in the past, within a 2.5 mile radius of the subject well, identified by
 - (1) Commission assigned field names,
 - (2) names of producing formations, and
 - (3) approximate average depth of the producing interval
 - c. scale, legend and name of person preparing map.
2. List of names and mailing addresses of those given notice.
3. Complete, legible electric log of the well, marking the top and bottom of the designated field interval to correspond with Nos. 13 and 14, on the front. Any log filed with this application is considered public information. If all the other required data is submitted and satisfactorily proves discovery as a new reservoir, the entire log does not have to be filed with this application. The log will then fall within the provisions of Statewide Rule 16 regarding confidentiality. If confidentiality is desired, please submit at least one curve (SP or gamma ray) from a log section showing the entire proposed designated interval.
4. Structure map, if application is based on subsurface structure. The map is to be contoured on the top of the producing formation.
5. Stratigraphic or structural cross section, if the application is based on stratigraphic changes such as pinch-outs or porosity/permeability changes. The cross section is to be prepared from electric logs.
6. Reservoir pressure measurements or calculations of a recent date, if the application is based on reservoir pressure differences.
7. Fluid level data, if the application is based on differences in gas-liquid contacts or oil-water contacts. This data must be complete and from comparable formations.

Field Names: Must be limited to 32 characters and spaces in length.

Notice: Each offset operator must be furnished a copy of the completed Form P-7. Additionally, if the subject reservoir is in a known producing multi-reservoir structure, each operator within a 2.5 mile radius of the discovery well in the involved field(s) must also be furnished a copy.]

Further Information: May be obtained from the New Fields Section at the Austin Railroad Commission office. If, because of large volumes of oil or condensate production, it appears that the subject well may have to be voluntarily shut-in and to do so would cause damage to or loss of the well, contact the New Fields Section regarding possible district office issuance of temporary transportation authority.

Mail To: New Fields Section
Oil and Gas Division
Railroad Commission of Texas
P.O. Drawer 12967 – Capitol Station
Austin, Texas 78711-2967

§ 3.41 – SWR 41 – APPLICATION FOR NEW OIL OR GAS FIELD DESIGNATION AND/OR DISCOVERY ALLOWABLE

(Amended Effective January 04, 1999)

- (a) The commission shall assign a new field designation and/or discovery allowable after an operator furnishes to the commission's Austin office proper evidence, other than horizontal distance, proving that a well is a new discovery. An operator shall include the following in the application:
- (1) a legible area map, drawn to scale, preferably on white paper, which shows the following:
 - (A) All oil gas and abandoned wells within at least two and one-half (2 ½) mile radius of the well claimed to be the discovery well.
 - (B) The producing intervals of all pertinent oil and gas wells identified in subparagraph (A) of this paragraph.
 - (C) All Commission-recognized fields within a two and on-half (2 ½) mile radius of the well claimed to be the discovery well, that are presently active or were active in the past, identified by the Commission-assigned field names, names of the producing formations, and approximate average depth of the producing interval.
 - (D) The total depth of all wells identified in subparagraph (A) of this paragraph that penetrated the subject zone.
 - (E) Scale, legend, and name of person who prepared the map.
 - (2) a complete legible electric log of the well. However, an operator is not required to file a complete electric log if the operator has filed all other required data, a portion of the log showing the top and bottom of the proposed reservoir interval, log headings, and applicable scales, and satisfactorily proves discovery as a new reservoir. Any electric log field shall be considered public information pursuant to 3.16 of this title (relating to Log and Completion or Plugging Report) (Statewide Rule 16).
 - (3) a bottom-hole pressure for oil wells, submitted on the appropriate form. This bottom-hole pressure may be determined by a pressure build-up test, drill stem test, or wireline formation tester. Calculations based on fluid level surveys or calculations made on flowing wells using shut-in well head pressures can be used if no test data is available.
 - (4) a subsurface structure map and/or cross section (s), if separation is based on structural differences, including faulting and pinch-outs. The structure map shall show the contour of the top of the producing formation and the line(s) of cross section. The cross section (s) shall be prepared from comparable electric logs (not tracings) with the wells, producing formation, and hydrocarbon reservoir identified. The engineer or geologist who prepares the map and cross section shall sign them.
 - (5) reservoir pressure measurements or calculations if separation is based on pressure differentials.
 - (6) core data, drill stem test data, cross sections of nearby wells, and/or production data estimating the fluid level, if separation is based on differences in fluid levels. The operator shall obtain the fluid level data within 10 days of the potential test date.
- (b) The staff may require additional data deemed necessary to make a determination. Deviation from the requirements of subsection (a) of this section may be allowed at the staff's discretion.

- (c) The Director, Oil and Gas, may administratively grant an application if all required data is submitted with the form prescribed, and the evidence proves that a new reservoir is effectively separated from any other reservoir previously shown to be productive.
- (d) If the director of the Oil and Gas Division, or the director's delegate declines administratively to grant an application, the operator may request a hearing. If the commission receives the hearing request within 10 days of the date of the notice of the administrative denial of the application, the commission shall schedule a hearing. After hearing, the examiner shall recommend final commission action.

§ 3.42 RULE 42 OIL DISCOVERY ALLOWABLE

- (a) The Commission shall determine the discovery allowable rate for oil wells proven to be completed in a new and separate reservoir from the following discovery allowable schedule.
Figure (3.42)
- (b) Duration and exemption from market demand limitation.
 - (1) Onshore. Each oil well completed in an oil reservoir determined by the Commission to be a new onshore oil field may receive, as a maximum daily, its discovery allowable, exempt from market demand limitation, for a period of 24 months (36 months for depth intervals deeper than 10,000 feet) from the date of assignment of the oil allowable to such discovery well or until the 11th oil well has been completed therein, whichever occurs first.
 - (2) Offshore. Each oil well completed in an oil reservoir determined by the Commission to be a new offshore oil field may receive, as a maximum daily allowable, its discovery oil allowable, exempt from market demand limitation, for a period of 24 months (36 months for depth intervals deeper than 10,000 feet) from the date of assignment of the oil allowable to such discovery well or until the sixth oil well has been completed therein, whichever occurs first.
- (c) The director or the director's delegate shall review the production performance of discovery wells to evaluate whether waste is occurring due to the discovery allowable. If the director or the director's delegate believes waste is or may be occurring, the director or the director's delegate may request any additional relevant information from the operator and may set the matter for hearing to allow the commission to determine if the discovery allowable should be lowered to prevent waste.