

Production Sharing Agreements and Allocation Wells Update



Greg Mathews, Senior Counsel

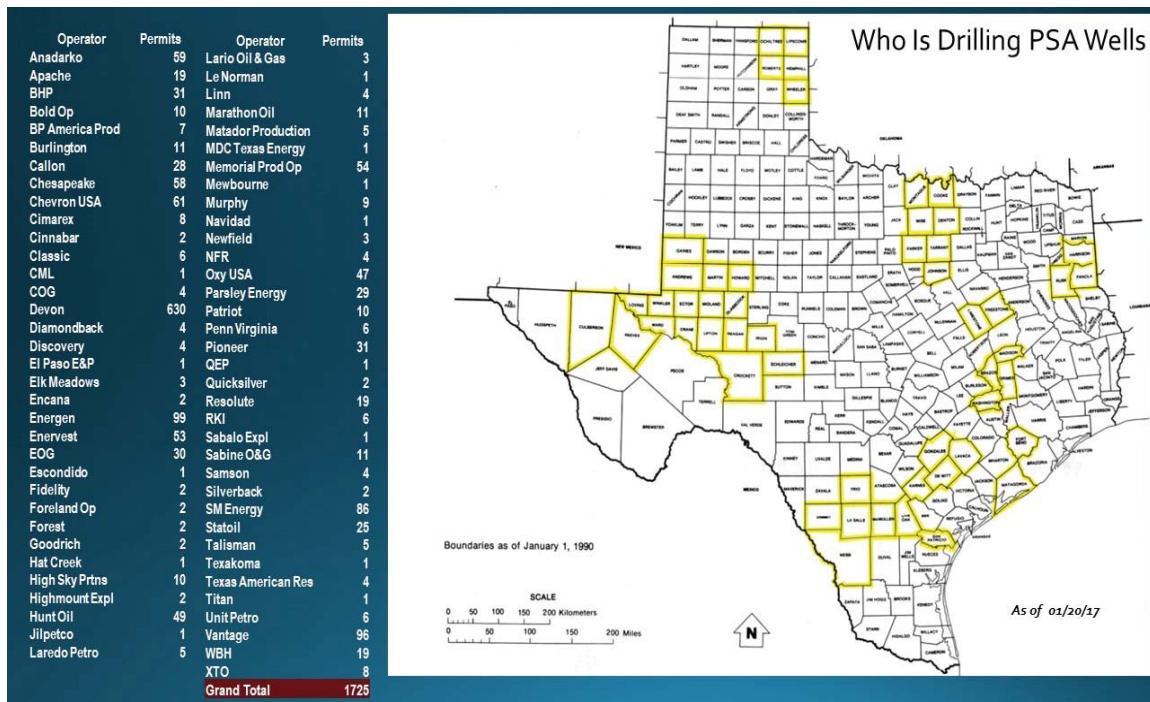
Chevron North America Exploration and Production Company

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Who is Drilling PSA Wells?

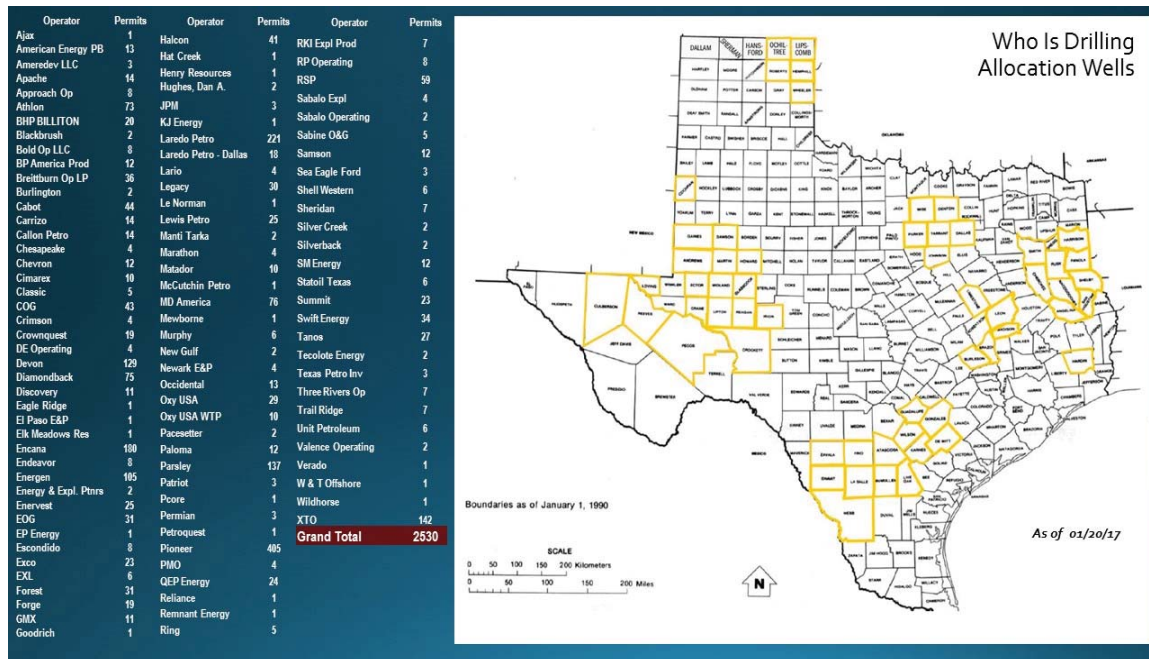
(Thanks to Brian Sullivan of McElroy, Sullivan, Miller, Weber & Olmstead, L.L.P.)



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Who is Drilling Allocation Wells?

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State of the Law in Texas on PSA and Allocation Wells



No reported case law in Texas federal or state courts discussing Energy PSA or allocation wells

- A few cases on “production sharing agreements” with foreign governments (concessions), but those N/A

No Texas statute or regulation addressing either but RRC guidance provides instructions on how to obtain drilling permits for both:

- <http://www.rrc.state.tx.us/search-result?q=production+sharing+agreement>
- PSA authority statement (K right to drill & produce all tracts; if >65% WI and MIO signed, permit as PSA well); Acreage Allocation (plat, PSA-12 Code Sheet, P-16 data sheet)

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Klotzman RRC Final Order



RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

OIL AND GAS DOCKET
NO. 02-0278952

APPLICATION OF EOG RESOURCES, INC. FOR ITS KLOTZMAN LEASE(ALLOCATION) WELL NO. 1H, (STATUS NO. 744730), EAGLEVILLE (EAGLEFORD-2) FIELD, DEWITT COUNTY, AS AN ALLOCATION WELL DRILLED ON ACREAGE ASSIGNED FROM TWO LEASES.

FINAL ORDER

The Commission hereby adopts the following Substitute Finding of Fact:

Substitute Finding of Fact:

4. EOG is the operator of and owns 100% of the working interest rights to the Eagleville (Eagleford-2) Field under the Georgia Dubose-Glassell 516.569-acre Lease and the Georgia Dubose-Pierce 304.97-acre Lease and there are no unleased interests within 330 feet of any point on the proposed wellbore.

The Commission hereby adopts the following Substitute Conclusions of Law:

Substitute Conclusions of Law:

3. EOG Resources, Inc. has a sufficient good faith claim to drill its proposed Klotzman (Allocation) Well No. 1H on an 80-acre drilling unit composed of 40 acres from the Georgia Dubose-Glassell 516.569-acre lease and 40 acres from the Georgia Dubose-Pierce 304.97-acre lease.

Klotzman RRC Final Order



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Final Order

4. A Statewide Rule 37 lease line spacing exception for the well may be granted administratively pursuant to 16 Tex. Admin. Code §3.37(h)(2)(B) as EOG Resources, Inc. is its own offset.

Done this 24th day of September, 2013.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN BARRY T. SUTHERMAN

COMMISSIONER DAVID PORTER

COMMISSIONER CHRISTI CRADDICK

ATTEST:
SECRETARY

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"Legal and Regulatory Issues in Light of Current Drilling Technology"