

# Production Sharing Agreements and Allocation Wells Update



**Greg Mathews, Senior Counsel**

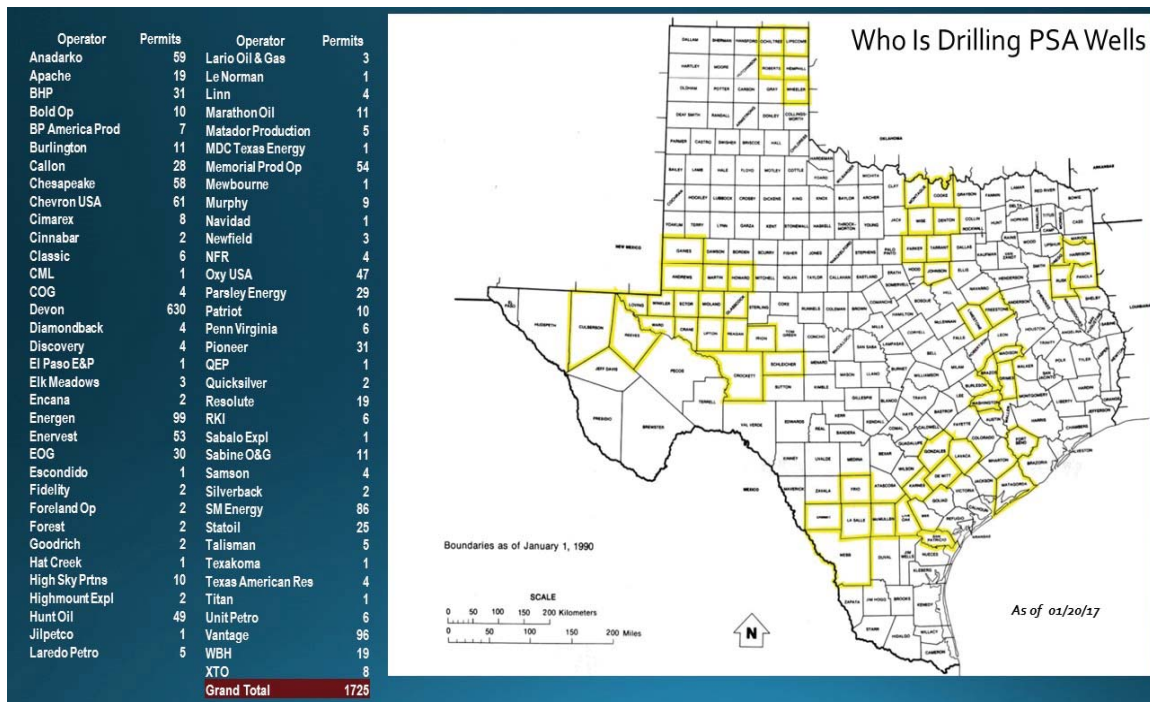
**Chevron North America Exploration and Production Company**

**April 14, 2017 43<sup>rd</sup> E.E. Smith Oil, Gas and Mineral Law Institute**

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## Who is Drilling PSA Wells?

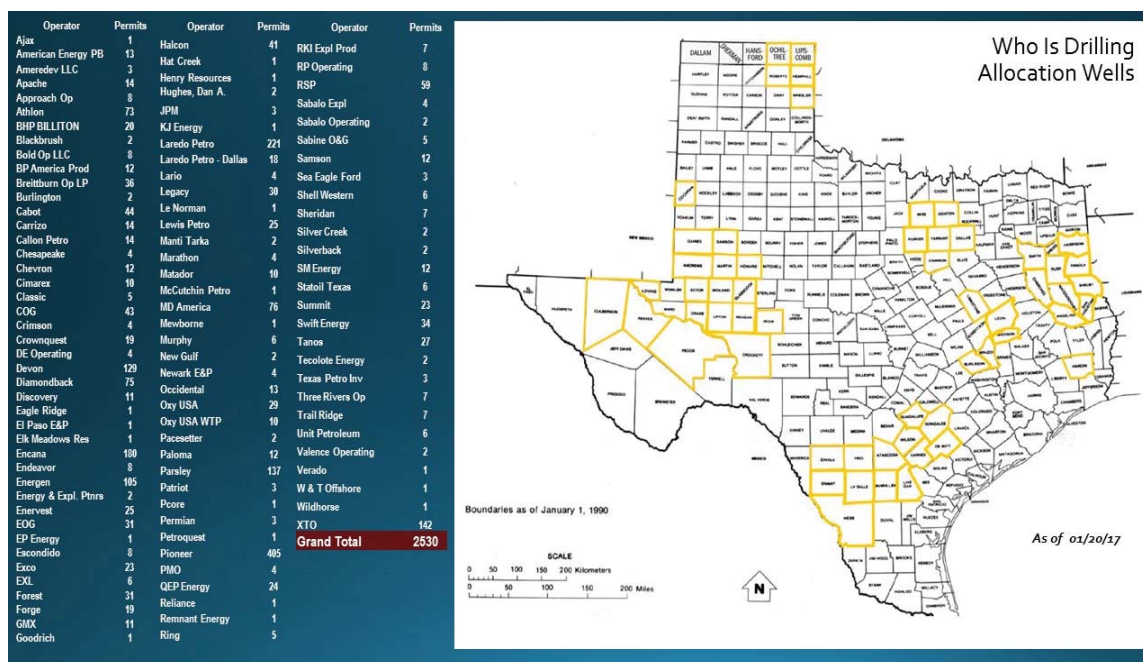
(Thanks to Brian Sullivan of McElroy, Sullivan, Miller, Weber & Olmstead, L.L.P.)



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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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43<sup>rd</sup> Annual Ernest E. Smith Oil, Gas and Mineral Law Institute session  
"Legal and Regulatory Issues in Light of Current Drilling Technology"