

Production Sharing Agreements and Allocation Wells Update

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From Klotzman PFD:

The examiners find no Texas statute, Commission Statewide Rule or Commission Final Order authorizing “allocation” wells. There is no Commission form on which to apply for “allocation” wells. All permits for “allocation” wells have been filed on a Form PSA-12, a form adopted by the Commission effective September, 2011, which is used to file for Production Sharing Agreement well permits. Apparently, prior applications for “allocation” wells have been routinely administratively granted. There has been no notice to potentially affected parties and there has been no investigation by the Commission as to the facts of the applications.



From Klotzman PFD:

Further, the Commission has no authority, by Final Order or rule, to legitimize permits for “allocation” wells insofar as they are wells composed of leased acreage lacking pooling authority.

EOG does not have a good faith claim to drill its proposed Klotzman (Allocation) Well No. 1H



GLO Relinquishment Act Lease

A well, whether or not classified as an allocation well, that traverses multiple leases or units including the Leased Premises hereunder, one or more of which leases or units contains Oil and Gas owned by the state, and which well is not associated with an agreement approved by the GLO and owner of the soil specifying the allocation of the production of state-owned Oil and Gas, is hereby expressly not permitted and may not operate on or under this lease or a unit containing state-owned Oil and Gas without the prior written consent of the Commissioner or his authorized designee, which consent may be granted or withheld in the Commissioner’s sole discretion.

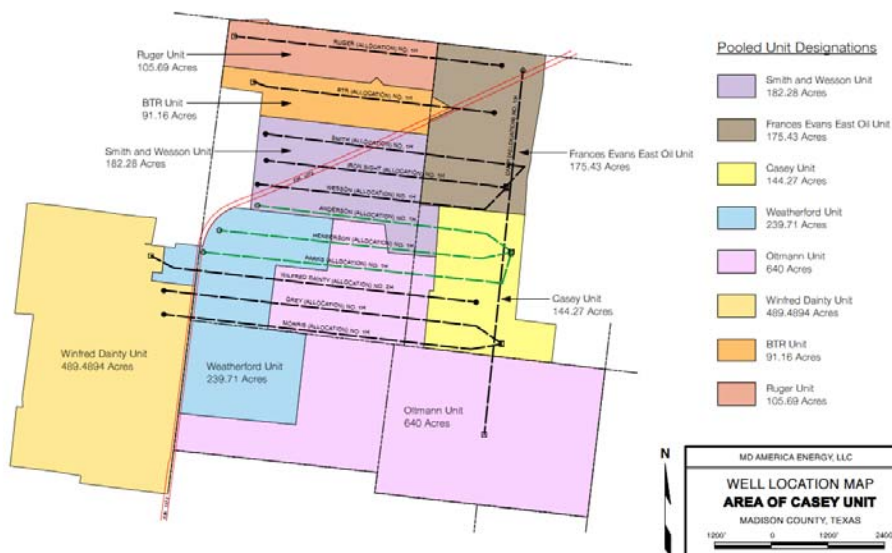


SMU Lease Form

Lessee is prohibited from seeking or consenting to the forced pooling of any part of the Leased Premises with other lands under the Texas Mineral Interest Pooling Act or other pooling statutes of Texas without Lessor's consent. Lessee shall have no right to drill a horizontal well crossing the boundary of the Leased Premises or lands pooled therewith without creating a pooled unit encompassing the productive lateral length of such well that complies with the pooling provisions of this lease. Violation of the provisions of this paragraph shall be grounds for termination of this lease.



Casey, et al. v. MD America Energy, LLC, NO. 15-13995-278-10, 278th Judicial District, Madison County



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