

The Fundamentals of Voluntary Pooling in Texas

Katy Wehmeyer

Santoyo Wehmeyer P.C.
IBC Highway 281 North Centre Bldg.
12400 San Pedro Avenue, Suite 300
San Antonio, Texas 78216

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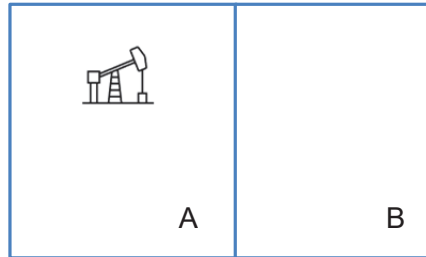
What is Voluntary Pooling?

- Generally refers to combination of lands from two or more leases into a single “unit” for development purposes.
- Many consequences, but two primary consequences:
 - Operations *anywhere* on unit treated as if they occurred on all land in the unit
 - Production from unit *allocated* between the pooled tracts and the owners thereof, typically on a surface acreage basis.

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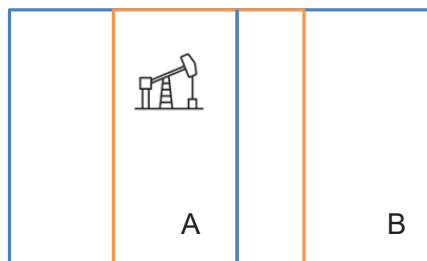
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Two Unpooled Leases



- Lease A: 100% of production from well; operations
- Lease B: 0% of production from well; no operations

Two Pooled Leases:



100-acre pooled unit:
Lease A: 75 acres in pooled unit
Lease B: 25 acres in pooled unit

	Lease A	Lease B
Operations?	Yes	Yes
Allocated Production:	75% of production	25% of production

Pooling Basics

- Voluntary pooling
- Requires express authority of the lessor
- Exercise must be in accord with the terms of the lease
- Good faith requirement

Methods of Voluntary Pooling

- Community Lease
- Pooling Agreement
- Pooling Provision in Oil and Gas Lease

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