

The Legal Landscape for Allocation Wells and Associated Legal Issues

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Corey F. Wehmeyer
cwehmeyer@swenergylaw.com
Santoyo Wehmeyer P.C.
12400 San Pedro Ave., Suite 300
San Antonio, Texas 78216

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Presentation Summary

1. Methods by Which Horizontal Wells are Drilled Across Multiple Tracts
2. Recurring Questions and Issues in the Allocation Well Debate
3. Legal Guidance on the RRC's Permitting Practice Pre-*Opiela*
4. The *Opiela* Dispute
5. Post-*Opiela* Landscape and Practical Considerations

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1. Methods by Which Horizontal Wells are Drilled Across Multiple Tracts

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- Pooled Unit Wells
- PSA Wells
- Allocation Wells

- **Pooled Unit Wells**

- Voluntary pooling is the traditional method of combining two or more oil and gas leases or mineral tracts to form a unit of sufficient size to receive a drilling permit from the RRC.
- Pooling **(1)** potentially effectuates a cross-conveyance of interests among all affected interest owners; **(2)** establishes a method by which the tracts included in the pooled unit will share in production; and **(3)** allows the operator to treat production and operations anywhere on the pooled unit as taking place on each tract within the unit for the purpose of perpetuating the pooled leases.

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- **Pooled Unit Wells**

Advantages	Disadvantages
Law provides a clear formula for allocation of production amongst those owning interests in the unit (surface acreage basis).	Cannot pool unless authorized to do so and/or done in compliance with pooling clause of each affected lease.
Production and/or operations anywhere in the unit will perpetuate all pooled leases.	Lease pooling provisions may not allow for pooled units of a sufficient size to accommodate the lateral length of a horizontal well.
Operator relieved of certain implied covenants with respect to each component lease.	Leases may contain anti-dilution provisions that require any pooled unit to consist of a minimum percentage of interest pooled under lease or require that all of the lease be included in the pooled unit.

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