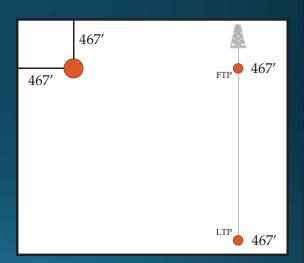


The courts regularly remind the RRC that its permitting jurisdiction is Limited!

• "...it is well established that the commission does not have jurisdiction to decide disputes over title or rights of possession...Rather, the commission's authority to grant permits is negative in nature — the commission, through a permit, merely removes a barrier the conservations laws would otherwise impose..." Rosenthal v. Railroad Commission of Texas, et al, 3rd Court of Appeals-Austin, Opinion ID 18426

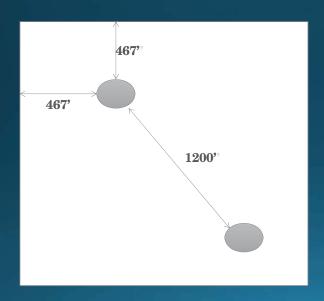
Regulatory

- Density: 40 Acres Statewide Rule 38
- Spacing: 467 feet Statewide Rule 37
- Any Mineral Owner Qualified To Operate Or Drill - 1% - 100%



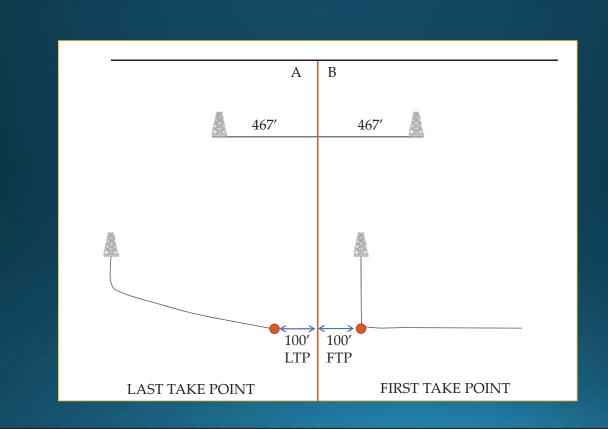
3

Between Well Spacing - Vertical



- 1200′ = Statewide Spacing Rule Wolfbone
- 0' = Typical Shale Rule
 Barnett Shale
 Eagle Ford
 Haynesville
 Wolfcamp
 Spraberry

4



Rule of Capture

1. Oil/Gas under your lease

AND

2. Oil/Gas legally drained from others





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First appeared as part of the conference materials for the $44^{\rm th}$ Annual Ernest E. Smith Oil, Gas and Mineral Law Institute session "PSA and Allocations Wells"