

INSTRUCTIONS

Form AOF-2: Individual Operator Application for AOF Status

Reference: Statewide
Rule 31(j)

- Who Files the AOF-2** For a gas field to change from a prorated status to an **absolute open flow (AOF)** status, an application must be made by all operators of active gas wells in the field. One operator, the "initiating operator," requests each of the other operators of active gas wells in the field to complete a Form AOF-2, returning it to the initiating operator. The initiating operator will complete a Form AOF-1, *Field Application for AOF Status (Cover Sheet)*, attach all AOF-2 forms (including one from the initiating operator), and submit the application package to the Railroad Commission in Austin. Any operator of an active gas well in the field who does not wish to consent to the field changing to AOF may signify that by not submitting the AOF-2 application form to the initiating operator.
- "Active" Gas Well** An active gas well is one that is assigned an allowable or that has reported production within the past three months. Excluded wells include storage wells, injection wells, or other types of service wells.
- What is Required for an AOF Status** For the AOF status application to be considered administratively, each operator of active gas wells in the field must submit an AOF-2 to the initiating operator who forwards the applications to the Commission. Otherwise, the initiating operator may request a hearing. There must be certified market demand for 100 percent of the production capacity of all active gas wells in the field. Production capacity is determined by the G-10 deliverability test conducted under normal operating conditions and in accordance with Statewide Rule 28(c).
- Notice of Decision** All operators in the field will be informed as to the status determination. Notice will be sent in the event a hearing is scheduled.
- Notice of Change** If a field is granted AOF status, each operator of an active gas well is responsible for informing the Commission within 14 days of any of the following events taking place: (1) there is no longer demand for 100 percent of production capacity of the operator's wells; (2) there is a voluntary curtailment below capacity (other than for normal operation activities such as maintenance); or, (3) there is notice of curtailment of market demand from a purchaser and no alternatives are found that would ensure continuation of demand for 100 percent of production capacity. At any time, an operator in an AOF field may request a return of the field to proration. The Form AOF-3, *Operator's Review of AOF Status*, is used for any of the above.
- Annual Review of AOF Status** Every March, each operator of active gas wells in the AOF-status field will be mailed a Railroad Commission computer-generated Form AOF-3, *Operator's Review of AOF Status*. The review period covers the most recent production months (up to twelve) during the preceding year in which the field continuously held AOF status. The review form can be used either to certify that the operator's wells are still eligible (demand for 100 percent of capacity was maintained over the preceding review period and continues) or to request that the field be returned to proration. In addition, the Commission will identify any months during the review period in which the operator's gas production in the field fluctuated 20 percent or more with increased production. When this occurs, the operator must supply adequate documentation explaining the fluctuation for the field's AOF status to remain. Failure by any operator of active gas wells to return the annual AOF-3 review may result in the field being returned to proration; one exception is if *all* of an operator's active gas wells in the field have a capability of 100 mcf (thousand cubic feet) or less a day per well and the operator wishes the field to remain AOF, that operator is not required to return a completed AOF-3 form in order for the field to remain AOF.