

RAILROAD COMMISSION OF TEXAS Oil and Gas Division	APPLICATION FOR PAYMENT FOR REACTIVATING OR PLUGGING AN ORPHANED OIL OR GAS WELL SEE INSTRUCTIONS ON REVERSE SIDE	FORM OW-3 EFF. 04-2006
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1. Operator name (exactly as shown on P-5 Organization Report) OR Surface Estate Owner Name:		2. Operator P-5 No. (if applicable):	
3. Operator OR Surface Estate Owner address (including city, state, and zip code):		4. Phone No.:	
5. Field Name:	6. Field No.:	7. County:	
8. Lease Name	9. Lease No./Gas ID No.:	10. Well No.:	11. API No.: 42-

OPERATOR REQUEST FOR PAYMENT

I hereby request payment in accordance with Tex. Nat. Res. Code, §89.047, Orphan Well Reduction Program.

- I was designated as the operator of the above-listed orphan well. [ATTACH a copy of the Commission's Certificate of Designation as Operator of Orphaned Oil or Gas Wells (approved Form OW-2), for the subject well.]
- I have plugged the orphaned well in accordance with Commission's rules. [ATTACH a copy of Form W-3, Plugging Record, for the subject well.]
- I have brought the well back into continuous active operation by:
- producing well and the well has produced at least 10 barrels of oil or 100 mcf of gas per month for at least three consecutive months as shown in Commission records and as authorized by a permit issued by the Commission. ATTACH documentation.

OR

- using the well as a service well for the disposal or injection of oil and gas wastes or another purpose related to the production of oil or gas for at least three (3) consecutive months as shown in Commission records and as authorized by a permit issued by the Commission. [ATTACH a copy of Form H-10 or other information demonstrating use of the well as a service well for at least three (3) consecutive months.]

SURFACE ESTATE OWNER REQUEST FOR PAYMENT

I hereby request payment in accordance with Tex. Nat. Res. Code, §89.048, Plugging of a Well by Surface Estate Owner.

- The above-listed well has been plugged by a Commission-approved plugger in accordance with Commission rules. [ATTACH a copy of the Form W-3 and documentation of the cost of the well-plugging operation.]

CERTIFICATION: I declare under penalties in §91.143, Tex. Nat. Res. Code, that I am authorized to file this application, that this application was prepared by me or under my supervision and direction, and that the data and facts stated therein are true, correct and complete to the best of my knowledge.

	Name of Representative (Print)	Signature of Representative	Date (mm/dd/yy)
R R C U S E O N L Y	PAYMENT TO OPERATOR OF AN ORPHANED WELL	PAYMENT TO SURFACE ESTATE OWNER FOR PLUGGING ORPHANED WELL	
	Total Depth of the Well: _____ Feet	Total Depth of Well: _____ Feet	
	Total Financial Security: \$ _____	Average cost of plugging last 24 months: \$ _____	
	Total Previous Payments: \$ _____	PAYMENT: \$ _____	
	PAYMENT: \$ _____	PAYMENT: \$ _____	
APPROVED BY: _____		DATE: _____	

INSTRUCTIONS

FORM OW-3

APPLICATION FOR PAYMENT FOR REACTIVATING OR PLUGGING AN ORPHANED OIL OR GAS WELL

EFF. 04-2006

Through House Bill 2161, the 79th Texas Legislature (2005) created two programs to encourage the plugging or re-activation of "Orphaned Wells," which are defined as wells issued a permit by Commission with no reported production or activity for the preceding twelve months and whose designated operator's organization report has lapsed. One program provides for "adoption" of such wells by oil and gas operators (the Orphaned Well Reduction Program). The second program provides for payments to surface owners who contract with Commission-approved pluggers to plug orphaned wells on their surface estate.

OPERATORS - ORPHANED WELL REDUCTION PROGRAM

Under HB 2161, Tex. Nat. Res. Code, §89.047, relating to Orphaned Well Reduction Program, establishes procedures, requirements, and incentives for a person to assume operatorship and regulatory responsibility for an orphaned oil or gas well. If the operator is designated as the operator of the orphaned well, in addition to certain tax exemptions, the operator also may be entitled to a payment of 50 cents per foot of well depth if the operator plugs the well or brings the well back into continuous service (produces 10 barrels of oil or 100 mcf of gas for at least three consecutive months.)

ELIGIBILITY: In order for an operator to receive payment under the Orphan Well Reduction Program, the operator and the adopted orphan well must meet certain eligibility requirements:

(1) The operator must have been designated the operator of the orphaned well on or after January 1, 2006, and on or before December 31, 2007, in order to be entitled to receive the payment under the Orphan Well Reduction Program.

(2) A well is considered to be in continuous active operation for purposes of payment if:

(a) the well is a producing well (a well classified by the Commission as an oil or gas well in accordance with Commission rules) and the well has produced at least 10 barrels of oil or 100 mcf of gas per month for at least three consecutive months as shown in Commission records and as authorized by a permit issued by the Commission; or

(b) the well is a service well and the well has been used for the disposal or injection of oil and gas wastes or another purpose related to the production of oil or gas for at least three consecutive months as shown in Commission records and as authorized by a permit issued by the Commission. "Service well" means a well for which the Commission has issued a permit that is not a producing well. The term includes an injection, disposal, or brine mining well.

WHERE AND WHAT TO FILE: File FORM OW-3 and all required attachments with:

Field Operations
Oil and Gas Division
Railroad Commission of Texas
P. O. Box 12967
Austin, Texas 78711-2967

LIMITS ON PAYMENTS: Please note that in accordance with §89.047, Tex. Nat. Res. Code, the Commission must make payments to operators annually in the same order the Commission determines the operators to be entitled to the payments. The aggregate amount of payments in any state fiscal year (September 1 through August 31) may not exceed \$500,000. An operator may not receive more than one payment for the same well; or cumulative payments in an amount that exceeds the total amount of financial security the operator has filed with the Commission under 16 TAC §3.78. In addition, the payment is nontransferable; therefore, the Commission may make the payment ONLY to the operator who was designated as the operator of the orphaned well.

PLUGGING OF AN ORPHANED WELL - SURFACE ESTATE OWNER

Under HB 2161, if an orphaned well were plugged by a plugger under contract to the surface owner, the Commission may use funds from the Oil Field Cleanup Fund to reimburse the surface owner for those plugging costs in an amount not to exceed 50% of the lesser of actual costs or the average cost incurred by Commission in the preceding 24 months in plugging similar wells. Under Section 89.048, Tex. Nat. Res. Code, the owner of an interest in the surface estate of a tract of land on which an orphaned well is located may contract with a Commission-approved well plugger to plug the well.

If the surface estate owner enters into a plugging contract under §89.048, the well plugger must:

(1) not later than the 30th day before the date the well is plugged, mail notice of its intent to plug the well to the operator of the well at the operator's address as shown by the records of Commission;

(2) assume responsibility for the physical operation and control of the well as shown by a form the person files with the Commission and the Commission approves;

(3) file a bond, letter of credit, or cash deposit covering the well as required by §91.107; and

(4) plug the well in accordance with Commission rules in effect at the time of plugging.

On successful plugging of the well by the well plugger, the surface estate owner may submit documentation to the Commission of the cost of the well-plugging operation. The Commission will reimburse the surface estate owner from money in the Oil Field Cleanup Fund in an amount not to exceed 50 percent of the lesser of:

(1) the documented well-plugging costs; or

(2) the average cost incurred by the Commission in the preceding 24 months in plugging similar wells located in the same general area.

A list of Commission-approved cementers (pluggers) can be found on the Commission's web page at <http://www.rrc.state.tx/environmental/plugging/cementerslist.php> under Field Operations - Well Plugging. This list is updated periodically. Or, you may contact the appropriate Railroad Commission District Office.