

A. COMPLIANCE. In order to file a Form W-1 you must have a current P-5 Organization Report and financial assurance (if required) on file with the Commission (RRC) and be in compliance with all RRC rules and orders. DO NOT BEGIN DRILLING OPERATIONS UNTIL YOU HAVE RECEIVED AUTHORIZATION FROM THE RRC. The operator must set and cement sufficient surface casing to protect all usable-quality water strata, as defined by the Texas Commission on Environmental Quality, or its predecessor or successor agencies.

B. WHERE AND WHAT TO FILE. File with the RRC in Austin the original Form W-1 application package, which consists of the completed Form W-1, fee payment, plat, completed Forms W-1D or W-1H, as necessary, and other documents as required. For fees, make check or money order payable to Railroad Commission of Texas. For information on use of credit cards or pre-paid accounts, contact the RRC. The Rule 37/38 exception fee covers one or more exceptions on the same application; if other than a "new drill," provide the original exception case or docket number. Fees are non-refundable. The RRC may waive fees if an amended application is filed at the request of RRC. Before you may initially file computer-generated paper Forms W-1, the RRC must approve the template. You may also electronically file drilling permit applications. For information, call (512)463-6751 or check the RRC's web site at www.rrc.state.tx.us

C. PURPOSE OF FILING (Item 6.) *Recompletion* is working over an existing wellbore to complete in a different field/reservoir. *Re-entry* is going back into a wellbore that has been plugged to the surface. *Reclassification* is changing an existing well originally permitted only as injection/disposal or other service well to an oil or gas producing well or changing an existing well in the Panhandle East or West fields from oil to gas or gas to oil production. For anything other than a "New Drill," indicate the API number. If the API number is not known, in "Operator Remarks" area, give the original operator, lease, and well identification and date of original completion or plugging. A materially amended permit requires a new Form W-1 and applicable fees, and usually involves the addition of a field/reservoir or a change in location on a previously permitted well. Include the original drilling permit number when filing an application for an amended permit.

D. WELLBORE PROFILE (Item 7.) Check "sidetrack" only for recompletions or re-entries, if applicable. File **FORM W-1D, Supplemental Directional Well Information**, if the proposed well configuration will be directional with one or more bottomhole locations. File **FORM W-1H, Supplemental Horizontal Well Information**, if the proposed well configuration will be horizontal with one or more terminus locations. For these types of completions, several different sets of location data are required. This data may or may not be the same for each field applied for; however, each different proposed bottomhole location or lateral must be associated with at least one field

E. LOCATION SPACING AND DENSITY. The proposed location must be "regular" in terms of the RRC's spacing (Rule 37 or field rules) and density (Rule 38 or field rules) requirements for each listed field; otherwise, an exception to those requirements must be sought.

REGULAR locations are in accordance with either (1) statewide spacing minimums – 467' from the nearest lease line and 1,200' from the nearest well (applied for, permitted or completed) on the same lease in the same reservoir and statewide density minimums – 40 acres; (2) spacing and density minimums, (which may vary according to depth) for County Regular Fields (Districts 7B, 9, and McCulloch County), where there are no field rules and the proposed depth is 5,000' or shallower; or (3) spacing and density standards set out in special rules for the field. Field and County Regular rules are available on the Internet at www.rrc.state.tx.us.

EXCEPTIONS to minimum standard spacing and density requirements may be requested. The application requires additional information on a *certified* plat (see G, below) and a list of names and addresses of all offsetting operators or unleased mineral interest owners of each tract that is contiguous to the drill site tract. Clearly key the list to the plat so that each tract/operator can be readily identified. If you do not have the right to develop the minerals under any right-of-way that crosses or is contiguous to this tract and the well requires a Rule 37 or 38 exception, also list the name and address of the entity that holds that right. If requesting only a lease-line spacing exception, list only the names and addresses of all affected persons for tracts closer to the well than the greater of ½ the prescribed minimum between-well spacing distance or the minimum lease-line spacing distance. If requesting only a between-well spacing exception, list only the names and addresses of all affected persons for each adjacent tract and each tract nearer to the well than the greater of ½ the prescribed minimum between-well spacing distance or the minimum lease-line spacing. **NOTE:** If you penetrate a Rule 37 or 38 field/reservoir not listed on the application, you will not necessarily be allowed to use the existence of this wellbore as justification for an exception to complete this wellbore in such field/reservoir in the future.

F. ACREAGE – OTHER

Poolled Units: Multiple tracts may be pooled together to meet minimum drilling unit acreage requirements. Complete and attach Form P-12, *Certificate of Pooling Authority*. On the plat (see G, below) outline pooled unit AND each tract listed on the Form P-12. If pooled or unitized through a hearing and the Docket number is noted in Item 24 of Form W-1, no Form P-12 (Certificate of Pooling Authority) is needed.

Substandard Acreage: Complete and submit a Form W-1A, *Substandard Acreage Drilling Unit Certification*, with the first and only well on a substandard tract or lease, and when using surplus acreage as a substandard pooled unit.

Contiguous Acres: Rule 39 requires that all acres in the lease or pooled unit be contiguous. If a Rule 39 exception has already been granted for the subject lease or unit, provide the docket number and issuance date in the box in the upper left-hand corner of the Form W-1.

G. PLAT. All drilling permit applications must be accompanied by a legible, accurate plat, at a scale of 1" = 1,000' and showing at least the lease or pooled unit line nearest the proposed location AND the nearest section/survey lines. The plat for the initial well on a lease or pooled unit must be of the entire lease or unit (including all tracts being pooled). The plat for subsequent wells on the pooled unit for which a Form P-12 is required must show the entire pooled unit. If necessary, submit the large area plat at a scale of 1" = 2,000' showing the entire lease. Plats for Rule 37 and/or 38 exceptions must also be certified and have offsets keyed to the offset listing (see E, above). The plat must include (1) the surface location of the proposed drilling site (for directional wells, also indicate projected bottomhole location and for horizontal wells also indicate projected penetration points and terminus locations); (2) a line and the distance from the surface location to the nearest point on the lease line or pooled unit line; if there is an unleased interest in a tract of the pooled unit that is nearer than the pooled unit line, use the nearest point on that unleased tract boundary; (3) a perpendicular line from two nearest non-parallel survey/section lines to the proposed surface and the proposed bottomhole or terminus locations and indicate distances. (4) a line from the proposed surface location to the nearest oil or gas well (applied for, permitted, or completed) in the same lease or pooled unit and in the same field (also indicate the distance and the API number of that well); (5) the name, as applicable, of the county, survey, abstract, section, block, lot, subdivision, etc.; (6) a scale bar; and (7) the northerly direction.

H. INDIVIDUAL ITEMS ON THE FRONT OF FORM W-1:

Item 8. For a recompletion, provide the projected—not measured—true vertical depth. For a plug-back recompletion, give the depth of the plug setting.

Item 10. If the well is subject to Rule 36, you must file a Form H-9 (Certificate of Compliance Statewide Rule 36) with the appropriate RRC district office.

Item 11. Provide RRC District No. associated with the County listed in Item 12.

Item 19. For pooled units, if there is an unleased/non-pooled interest in a tract of the pooled unit that is nearer than the pooled unit line, give the distance to the nearest point on that unleased/non-pooled tract boundary.

Item 26. Provide the RRC District No. associated with the field.

Item 29. Use the following codes for Well Type: O = oil; G = gas; B = oil and gas; I = injection/disposal; R = storage; S = service; V = water supply; C = cathodic protection; T = exploratory test (core, stratigraphic, seismic, sulfur, uranium).

Item 30. Enter the approximate completion depth at which you may complete in each field listed. This depth must be less than or equal to the Total Vertical Depth.

Item 31. Distance to Nearest Well. Required only for wells identified as oil or gas in Item 29 and includes distance to any applied for or permitted location or completed well. This information is necessary for the purpose of ensuring compliance with spacing and density rules.

Item 32. Provide the total combined number of oil and gas wells only (include all applied for or permitted locations and completed wells). Do NOT include injection, disposal or other types of service wells.