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## *Proposed APD Rule Explanation*

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Operator A – Operator of DSU under 8 (l), either first to file APD or has a well, but is the protestant under 8 (m) (iii).

Operator B – Not operator of DSU, files 8(m)(i) application, applicant in hearing.



## **Proposed New Rule – Ch 1, Sec 2**

Ch 1, Sec 2 – A DSU is defined as a specific area of land **and pool**. Thus, only a single APD is required to hold a DSU per formation.

## **Proposed New Rule – Ch 3, Sec 8 (l)**

Ch 3, Sec 8(l) – Designates which working interest owner is the operator of the DSU and is thus the only owner/operator allowed to file APD's within the DSU. The owner/operator of a producing well(s) or if no current well(s) then the owner/operator of the oldest pending or approved APD is the operator of the DSU per formation. Operator A

## **Proposed New Rule – Ch 3, Sec 8 (m)**

Ch 3, Sec 8(m)(i) – Allows an owner/operator who cannot file an APD under Ch 3, Sec 8(l) to file an APD along with additional information under 8(m)(i) during the fifteen (15) day notice period of a new or renewing APD or two (2) year anniversary of a well spudded. The application will be heard by the Commission if a protest is filed by the owner/operator of the DSU. Operator B



## Proposed New Rule –Ch 3, Sec 8(m)

Ch 3, Sec 8(m)(ii) – Staff will review technical adequacy of APD prior to hearing.

Ch 3, Sec 8(m)(iii) – Information required by operator of oldest pending APD or producing well protesting an application submitted under Sec (m)(i). Operator A

Ch 3, Sec 8(m)(iv) – States that additional information may also be considered by the Commission.



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Ch 3, Sec 8(m)(v) – Provides outcomes from a contested hearing and the disposition of the APD(s) in question:

1. Commission denies 8(m) application, Operator B, and thus the APD is denied and Operator A continues as operator of DSU.
2. Commission approves 8(m) APD for Operator B, thus APD denied from operator objecting, Operator A (Initial APD).
3. Commission approves APD under 8(m), Operator B, but well not drilled, protestant, Operator A, has exclusive right to file APD within 30 days of expiration (Renewal of APD).



## **Ch 3 Sec 8 (m)(i) – Applicant , Operator B**

- (A) The date the APD(s) requested was submitted;
- (B) A description of the technical ability and experience of the applicant to drill and complete wells;
- (C) Percentage of working interest ownership within the DSU and written support from other working interest owners in the DSU;
- (D) Working interest ownership in the area;
- (E) The number of wells in the area operated by the applicant;
- (F) Status of any necessary Federal permitting;
- (G) Contractual obligations, if any;
- (H) Proof that negotiations have commenced between owner/operator and surface owner if the well pad is on fee surface;



(I) Proof of negotiation by delivery of Authorization for Expenditure (AFE) and Joint Operating Agreement (JOA) to all other Owner/Operators and unleased mineral interest owners in the DSU.

### **Ch 3 Sec 8(m)(iii) – Protestant, Operator A**

- (A) Current development activity and plans in area;
- (B) A description of the technical ability and experience of the applicant to drill and complete similar wells;
- (C) Percentage of working interest ownership within DSU and any written support from other working interest owners in the DSU;
- (D) Working interest ownership in the area;



## **Rule Example, Single APD**

First to File, LLC (FTF), Operator A, files the first APD in a DSU on January 1, 2020. Second to File, LLC (STF), Operator B, can “challenge” FTF by submitting application under Ch 3, Sec 8(m) during initial 15 day notice period or in two (2) years upon renewal application of FTF APD during 15 day notice period.

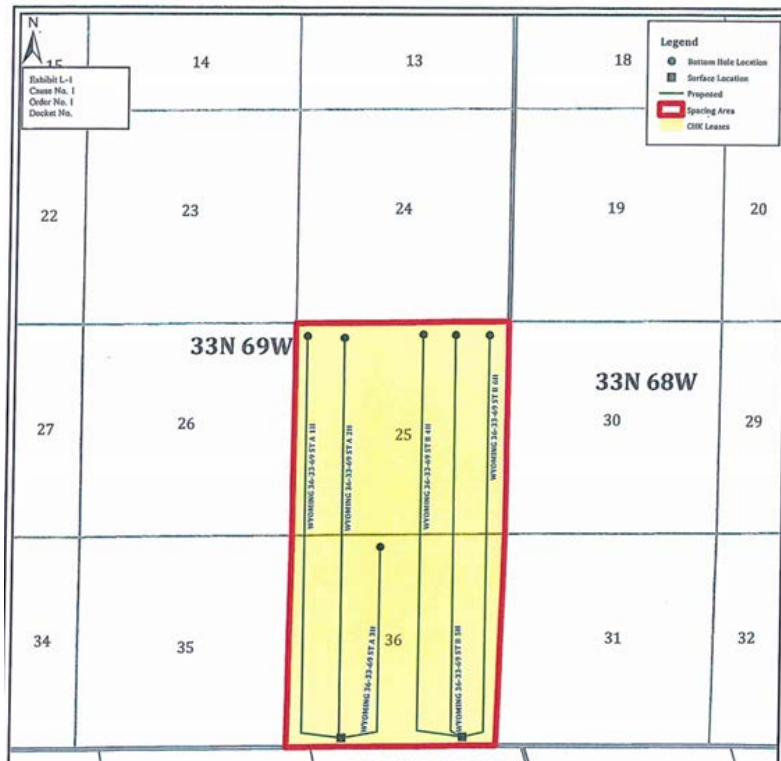
## **Rule Example, Producing Well**

FTF, Operator A, has the only producing well in a DSU which was spud on July 1, 2018. STF, Operator B, can submit a hearing application with APD(s) on July 1 -15, 2020 under Sec 8(m). If two (2) operators have producing wells in a DSU, they each have equal opportunity to submit APD’s.



## Rule Example, Multiple APD's

First to File LLC (FTF), Operator A, has permitted 3 wells in the E/2 of a DSU on July 1, 2018 and Second to File LLC (STF), Operator B, has permitted 3 wells in the W/2 on Sept 1, 2018.



**Scenario 1** – Neither operator spuds a well, FTF, Operator A, can renew three (3) APD's on July 1, 2020 and STF, Operator B, cannot renew it's APD's.

**Scenario 2** – FTF, Operator A, renews APD's on July 1, 2020 and STF, Operator B, spuds a well on Aug 31, 2020. STF is now the operator of the DSU. However, FTF's APD's are valid for two (2) yrs and can be drilled, but they cannot be renewed if FTF does not drill a well.



Comment Period has begun and will end on **Sept 14, 2019.**

**Send Written Comments to:**

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