

GUIDELINES FOR POOLING STATE LEASES

Negotiating a Pooling Agreement:

Pooling State Leases: Chapter 52, Subchapter E of the Texas Natural Resources Code (Code) provides the statutory authority for pooling State Leases. The School Land Board (Board) must approve the pooling of State Leases (except leases covering highway rights-of-way, which have limited pooling authority pursuant to their lease terms) and the Commissioner of the General Land Office (GLO) must find that the pooling is in the best interest of the State. The pooling of State Leases or Lands is for the purpose of conservation and utilization of the pooled mineral(s), to prevent waste, to facilitate orderly development and to preserve correlative rights. An Application for Pooling State Leases must be submitted.

Unleased riverbeds and channels: Section 52.076 of the Code provides that the Board may pool or bring an action to force pool riverbeds and channels. See Guidelines for Pooling Unleased Rivers. An Application for Pooling Unleased Riverbeds and Channels must be submitted.

Unleased highways, roads, streets, and alleys: Section 32.207 of the code provides that the Board may pool in the same manner as pooling an unleased riverbed or channel. See Guidelines for including an Unleased Highway Rights-of-Way in a Pooled Unit. An Application for Pooling Unleased HROW's must be submitted.

To file a Pooling Application, send a completed copy of the Pooling Application and \$500.00 application fee to:

Mailing Address:

Texas General Land Office
Attn: Energy Resources / Mineral Leasing
P.O. Box 12873
Austin, TX 78711-2873

For Overnight Delivery:

Texas General Land Office
Attn: Energy Resources/Mineral Leasing
1700 N. Congress Avenue, Suite 840
Austin, TX 78701-1495

The application and supporting data must be submitted to the GLO at least 15 working days prior to the meeting at which the Board is to consider the application. The Board usually meets the first and third Tuesdays of every month at 10:00 a.m. in Room 170, Stephen F. Austin Building, 1700 North Congress Avenue, Austin, Texas. The applicant or a representative of the applicant may want to attend the Board meeting in case any questions arise.

Information to be submitted with the Application

1. All pooling agreement applications must be accompanied by a legible, accurate plat. Submit plat both as hard copy and electronically (coverage, shapefile, or geodatabase), or georeferenced CAD files acceptable, when available. The plat is to be at a scale of 1" =1000' and include an accurate bar graph. If necessary, submit the large area plat at a scale of 1" =2000'. The plat shall include all of the following:

- a. Point of beginning.
 - b. Two (2) known coordinates.
 - c. Field notes/metes and bounds.
 - d. Section and abstract numbers with survey names, county names, block names, lot, subdivision, etc.
 - e. Indicate all state leases by shading or hatching. Identify the state lease (MF) number(s), if applicable.
 - f. A north arrow.
 - g. Surface locations for all directional and horizontal wells, indicating the penetration points and terminus locations of all bottom hole(s). Include length of lateral if horizontal well.
 - h. Note the 10-digit API number at the surface locations.
2. Operator's Tax ID Number.
 3. RRC Form W-1, W-2, or G-1, as applicable.
 4. Date of first production and sales from unit well(s), if applicable.
 5. Unit and regional maps:
 - a. Include structure map, if structural.
 - b. Include unit outline on all maps submitted.
 - c. With seismic maps provide several strike, dip, and/or arbitrary lines across the area of interest and several time slices through the zone of interest.
 6. Cross-sections, as appropriate.
 7. Completion and production data for wells drilled in the general area of the unit. (Generally, within one mile and other significant wells).
 8. Geologic tops and other data for significant wells in the area. For unit wells or other significant wells, include the following reservoir engineering data: porosity, permeability, oil and gas gravity, estimation of the aerial extent of the reservoir, if structural, and gross and net sand, or shale thickness.
 9. Copy of recorded Designation or Declaration of Pooled Unit or Unit Agreement, if available. This is applicable when the State is going to ratify a unit rather than using the State's form of Pooling Agreement. Examples would be when the state lease is a free royalty lease, secondary recovery units and pooling unleased riverbeds or unleased highway rights-of-way into an existing unit.
 10. Analog field and special field rules, where applicable.
 11. Names of all working interest owners who will join in the execution of the Pooling Agreement.
 12. Names and respective capacities (e.g., president, vice-president, attorney-in-fact, etc.) of the persons authorized by the working interest owners to execute the agreement.
 13. Names of all owners of the soil who have not authorized pooling and will be executing the agreement.
 14. A gradient boundary survey may be required of riverbeds, if the entire State lease is not included in the unit, or for unleased riverbeds, if a sufficient legal description and/or acreage estimate is not available.
 15. Other requested data.

Any proprietary information such as geologic maps, electric logs, seismic records, and other such data should be clearly labeled as confidential and shall be kept confidential as required by law, and upon request of applicant will be returned after examination by GLO staff. Well logs follow Railroad Commission confidentiality requirements.

*** In accordance with Title 31, Rule §9.32 – Texas Administrative Code – any well drilled on State Fee or Relinquishment Act tracts “shall be identified as a state well in the RRC records by using “State” as the first word in its designated RRC name”. For identifying purposes, “State” may also be used in the unit name.**

Miscellaneous Notes on Pooling

In certain situations, the Board’s policy is to approve a temporary or fixed term unit agreement if the unit well has not been drilled and completed or the proposed unit acreage has not been drilled to density. A permanent unit may be approved after the unit well is drilled and completed or if the proposed unit acreage has been or will be drilled to density. Please indicate which situation is applicable. If a temporary unit is initially approved, a new application for making the unit permanent, or extending the temporary unit, is required, and should be filed prior to the expiration date of the temporary unit.

Pooling agreements covering unleased riverbeds, and unleased highway rights-of-way, require a consideration payment to the State. The State’s participation is usually based on the State receiving a 25% royalty.

All applications are reviewed by the Pooling Committee, which makes recommendations to the Board. The Pooling Committee consists of representatives from the General Land Office, the Governor’s Office, and the Attorney General’s Office.

A personal appearance before the Pooling Committee is not required by the applicant or a representative of the applicant. However, an appearance may be beneficial if the application is complex or the Pooling Committee informs the applicant that the committee will not recommend approval of the application. A meeting with the Pooling Committee will be scheduled at the mutually agreeable time.

The Pooling Committee will prepare a Pooling Committee Report that will be presented to the Board either recommending approval or denial of the proposed unit. A plat showing the outline of the unit with well locations will accompany the Report and be shown at the Board meeting.

After approval of the application by the Board, a Pooling Agreement or Ratification, if applicable, will be prepared by the General Land Office for execution by the applicant and then the Commissioner.