

**RAILROAD COMMISSION OF TEXAS
Oil and Gas Division**

NOTICE TO OPERATORS

**HORIZONTAL DRILLING AND
UNCONVENTIONAL FRACTURE TREATED FIELDS**

The Railroad Commission of Texas (Commission) has adopted amendments to 16 Texas Administrative Code (TAC) §3.86 (Statewide Rule 86), regarding Horizontal Drainhole Wells, as well as conforming amendments to other statewide rules (5, 31, 38, 40, 45, 51 and 52). Effective February 1, 2016, these amendments establish a procedure for designating certain fields as unconventional fracture treated fields ("UFT Fields"). A UFT Field is a field in which horizontal drilling and hydraulic fracturing must be used in order to recover resources from all or part of the field and which is developed using either vertical or horizontal drilling techniques. This designation would include shale formations, such as the Eagle Ford and Barnett Shale, in which the drainage of a wellbore is based upon the area reached by the hydraulic fracturing treatments rather than conventional flow patterns.

Additionally, the Commission adopted amendments to update various Commission requirements related to the drilling of horizontal drainhole wells as defined in 16 TAC §3.86(a)(5). 16 TAC §3.86 as adopted incorporates common special field rule provisions, which previously applied on a field-by-field basis, into rules that apply statewide. The amendments will reduce and simplify field rule hearings, resulting in a more efficient regulatory process. The amendments implement requirements related to the following: (1) take points through which a horizontal drainhole can be produced; (2) notification for off-lease penetration points when the proposed horizontal drainhole will penetrate the productive formation at a point not on the applicant's lease, pooled unit or developmental tract; (3) the creation and production of a structure known as a "stacked lateral" wellbore (a series of horizontal drainholes producing from the same geographical area at differing depths); and (4) plats for permitting, drilling and completion of horizontal wells.

Designation of a field as a UFT Field is governed by 16 TAC §3.86(i), and may be initiated by industry or by Commission staff. For designation of a field without the need for a hearing, evidence related to the use of horizontal drilling and impermeability of the proposed field must be reviewed and found to be sufficient; and all operators in the field must be given an opportunity to object to the proposed designation. Alternatively, or in cases where an operator in the field objects, a hearing may be scheduled at which the proponent of designation would show that the reservoir characteristics are such that horizontal drilling and hydraulic fracture treatment must be used, and that designation of the field as a UFT Field would promote orderly development. In either case, designation of the field will be by Commission order.

The conforming amendments to 16 TAC §3.40 (Statewide Rule 40) adopted in connection with the UFT Field rules affect the use of Form P-16. Under the adopted rules, Form P-16 is required for all wells in a designated UFT Field, and for all horizontal wells; use of Form P-16 remains optional for all other cases. Revisions to Form P-16 to clarify that requirement were also adopted.

For further information regarding the adoption of the UFT Field rules, contact Tim Poe at tim.poe@rrc.texas.gov. For a limited time, documents related to the rulemaking process will be available on the Commission's website at <https://www.rrc.texas.gov/general-counsel/rules/proposed-rules/>.

PLEASE FORWARD TO THE APPROPRIATE SECTION OF YOUR COMPANY