



RAILROAD COMMISSION OF TEXAS

Statewide Rule 15:

**Plugging Extension Applications
(Form W-3X)**

Presenter: Mysti Doshier

TOPICS



- OVERVIEW OF RULE 15.
- THE PROCESS OF OBTAINING A PLUGGING EXTENSION.
- REVIEW OF FILING OPTIONS.
- FILLING OUT THE FORM W-3X
- ENFORCEMENT PROCESS.

Inactive Well Plugging Extensions



- Rule 14: Plugging operations on each dry or inactive well shall be commenced within a period of one year after drilling or operations cease . . . unless the Commission or its delegate approves a plugging extension under Rule 15.

Inactive Well Extension Requirements



- Operator has a current organization report.
- Well in compliance with RRC rules and orders.
- Operator has a good faith claim to a continuing right to operate the well.

For Inactive Land Wells (Bay/Offshore wells are excluded):

- Completion of required surface equipment cleanup/removal and certification on Form W-3C
- Application for plugging extension and qualification on Form W-3X

Application for Plugging Extension



Operator of an inactive land well must apply for a plugging extension by filing Form W-3X.

Operator must qualify for an extension under one of several options.

- Three “Blanket” options
- Five “Individual Well” options

Cost Calculation



“Cost Calculation”: Estimated plugging cost based on the average per-foot cost, by district, for state funded plugging operations in the previous fiscal year. Multiply that per-foot cost times the well depth according to Commission records.

<http://www.rrc.state.tx.us/compliance/hb2259/HB2259-CostCalculation.pdf>

Application for Plugging Extension



“Blanket” options:

- 10% plugged/restored
- Blanket additional financial security
- If publically traded, secured creditor status.

Application for Plugging Extension



“Individual Well” options:

- Abeyance of Plugging Report covering the inactive well plus \$250 fee.
- EOR project status (if eligible)
- H-15 well test (if eligible) plus \$125 fee.
- Additional financial security
- Escrow deposit (10% of “Cost Calculation”)

**APPLICATION FOR AN
 EXTENSION OF DEADLINE FOR
 PLUGGING AN INACTIVE WELL**

Form W-3X
 (Rev. 09/2011)

READ INSTRUCTIONS ON BACK

1. OPERATOR NAME exactly as shown on Form P-5, Organization Report	2. OPERATOR ADDRESS including city, state and zip code
3. OPERATOR P-5 NO.	

- If you are applying for a blanket plugging extension for all inactive land wells operated by this entity:

Blanket Extension Options (See Instructions)	
<input type="checkbox"/> A	The filing operator has plugged or restored to active status 10% of the number of inactive land wells operated at the time of the last annual renewal of the operator's organization report;
<input type="checkbox"/> B	The filing operator is a publicly traded entity and has filed with the Commission documentation naming the operator as "debtor" and the Railroad Commission of Texas as the "secured creditor" and specifies the funds covered by the documents in the amount of the cost calculation for plugging all inactive wells.
<input type="checkbox"/> C	The filing operator has submitted additional financial security covering the amount of the cost calculation for plugging all inactive wells or \$2 million, whichever is less.

OR

- If you are applying for a plugging extension for a single well:

4. LEASE NAME as shown on Proration Schedule			5. FIELD NAME as shown on Proration Schedule	
6. API NUMBER 42-	4. RRC DISTRICT NO.	8. OIL LEASE / GAS ID NO.	9. WELL NO.	10. COUNTY

Individual Well Extension Options (See Instructions)	
<input type="checkbox"/> D	The well identified above is covered by an abeyance of plugging report and the operator has paid the required filing fee of \$100. (Please attach the abeyance of plugging report.)
<input type="checkbox"/> E	The well identified above is part of a Commission-approved EOR Project.
<input type="checkbox"/> F	The well identified above is not otherwise required by Commission rule or order to conduct a fluid level or hydraulic pressure test of the well, and the operator has conducted a successful fluid level or hydraulic pressure test of the well and has paid the required filing fee of \$50. (The test results must be filed with the Railroad Commission on Form H-15.)
<input type="checkbox"/> G	The operator has filed additional financial security in the amount of the cost calculation for plugging the well identified above.
<input type="checkbox"/> H	The operator has filed an escrow fund deposit in an amount at least equal to 10% of the cost calculation for plugging the well identified above.



CERTIFICATION: I certify under penalties prescribed by the Texas Natural Resources Code and the Texas Penal Code that, to the best of my knowledge, the information given in this application is true, complete, and correct.

Signature _____	Name (print or type) _____
Title _____	Date _____ Phone No. _____
Contact Person and Phone Number if different from above: _____	

Form W-3X: Application for an Extension of Deadline for Plugging an Inactive Well

RAILROAD COMMISSION OF TEXAS Oil and Gas / Admin. Compliance PO Box 12967 Austin, TX 78711-2967		APPLICATION FOR AN EXTENSION OF DEADLINE FOR PLUGGING AN INACTIVE WELL		Form W-3X (Rev. 09/2011)	
<u>READ INSTRUCTIONS ON BACK</u>					
1. OPERATOR NAME exactly as shown on Form P-5, Organization Report			2. OPERATOR ADDRESS including city, state and zip code		
3. OPERATOR P-5 NO.					
- If you are applying for a blanket plugging extension for all inactive wells:					
Blanket Extension Options					
<input type="checkbox"/>	A	The filing operator has plugged or restored to active status 10% of the last annual renewal of the operator's organization report;			
<input type="checkbox"/>	B	The filing operator is a publicly traded entity and has filed with the SEC and the Railroad Commission of Texas as the "secured creditor" for the amount of the cost calculation for plugging all inactive wells.			
<input type="checkbox"/>	C	The filing operator has submitted additional financial security covering all inactive wells or \$2 million, whichever is less.			
OR					
- If you are applying for a plugging extension for a single well:					
4. LEASE NAME as shown on Proration Schedule				5. LEASE NO.	
6. API NUMBER		4. RRC DISTRICT NO.		8. OIL LEASE NO.	
42-					

10 % based on
 inactive wells
 plugged or
 restored to active
 status between
 last renewal and
 current

Individual Well Ex	
<input type="checkbox"/> D	The well identified above is covered by an abeyance of plugging of \$100. (Please attach the abeyance of plugging)
<input type="checkbox"/> E	The well identified above is part of a Commission
<input type="checkbox"/> F	The well identified above is not otherwise required to be plugged, and the operator has conducted a test of the well, and the operator has conducted the required filing fee of \$50. (The test results n
<input type="checkbox"/> G	The operator has filed additional financial security above.
<input type="checkbox"/> H	The operator has filed an escrow fund deposit in the well identified above.

CERTIFICATION: I certify under penalties prescribed that, to the best of my knowledge, the information given

Signature

Title

Contact Person and Phone Number if different from above

**Requires statement
Only available IF the
well is NOT
Escrow or required
Deposit at a H-15 or
H-5 test. Filing fee
of \$125.00 required
(surcharge
included).**

Application for Plugging Extension



For further info on W-3X/W-3C requirements (including requirements for Abeyance of Plugging Report), see the instructions on the back of the forms and Statewide Rule 15.

Well Transfers



- If an inactive well is transferred to a new operator, the acquiring operator will have six months to bring the well into compliance (by plugging, returning to active operation, or obtaining a plugging extension).
- Failure to bring the well into compliance will prevent approval of P-5 renewals and may result in revocation of the current P-5.
- Until the well is brought into compliance, it cannot be transferred to another operator.

Bringing Wells back into Production



An inactive well will not be considered 'Active' for Commission purposes until the well has reported greater than minimal production for at least three consecutive months.

(Note: does not apply to injection or other service wells.)

RULE 15 Compliance Timeline



P-5 Renewal packet generated three months prior to P-5 renewal.

Packet includes a listing of all inactive wells along with requirements for Rule 15 compliance.

RULE 15 Compliance Timeline



If you file everything needed for your P-5 renewal EXCEPT for compliance with your inactive wells, then you will gain a 90-day extension to complete that compliance.

Extension runs from the date your P-5 would have expired.

RULE 15 Compliance Timeline



If you are still non-compliant at the end of the 90-day extension a second notice of non-compliance will be sent.

You will have 30 days from the date of this notice to request a hearing if you wish. If you request a hearing, you must pay the cost for the hearing, which is a non-refundable fee of \$4,500.

RULE 15 Compliance Timeline



Failure to respond within the 30 day period will begin the process to;

- Deny the P-5 renewal.
- Issue Severance/Seal orders
- Collect financial security.

P-5 Renewal Status Query



Online system that provides information on the renewal process.

- **Specifically includes only the inactive wells in your P-5 renewal.**
- **Shows status of W-3Cs and W-3Xs filed on those wells.**

**(Part of the Expanded Web Access query system at:
<http://webapps2.rrc.state.tx.us/EWA/organizationQueryAction.do>)**

Inactive Well Aging Report (IWAR)



Online system with information needed to comply with Inactive Well (Rule 15) requirements. Includes:

- Shut-in date
- Depth
- “Cost Calculation” Amount
- Current extension status
- Downloadable data

(Part of the Expanded Web Access query system at:

<http://webapps2.rrc.texas.gov/EWA/organizationQueryAction.do>)



Questions?

RRC Website



Railroad Commission Website:

<http://www.rrc.texas.gov>

Expanded Website Access (EWA) – P5 Query:

<http://webapps2.rrc.texas.gov/EWA/organizationQueryAction.do>
(data updated nightly)

Oil & Gas Directory:

<http://www.rrc.texas.gov/data/operators/ogdirectory/index.php>
(data updated monthly)

HB 2259 Information (Inactive Well requirements):

<http://www.rrc.texas.gov/compliance/hb2259/index.php>



Please contact us
with any questions you may have.

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