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From: Pierson, Weldon <Weldon.Pierson@pxd.com>
Sent: Monday, December 9, 2019 12:00 PM
To: Rules Coordinator
Cc: Gipson, Mark; Jason Clark
Subject: Pioneer Natural Resources Comments Amendments to 3.40 Multiple Assignment of Acreage in Certain Situations
Attachments: Pioneer_Comments_to 16 TAC 3 40 OG_final.docx; PioneerCommentto 16 TAC 3 40 OG_final.pdf

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Dear Rules Coordinator,

Attached please find comments submitted on behalf of Pioneer Natural Resources USA Inc. regarding proposed amendments to §3.40 relating to Assignment of Acreage to Pooled Development and Proration Units.

Please let me know should you have any questions.

Sincerely,

Weldon Pierson

Weldon Pierson
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PIONEER
NATURAL RESOURCES

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PIONEER

NATURAL RESOURCES

December 9 , 2019

Rules Coordinator
Railroad Commission of Texas
Office of General Counsel
1701 N Congress
Austin TX 79701

Filed Via Email at rulescoordinator@rrc.texas.gov

Re: Comments of Pioneer Natural Resources on Proposed Amendments to §3.40 relating to Assignment of Acreage to Pooled Development and Proration Units Dear Rules Coordinator:

Pioneer Natural Resources USA, Inc. ("Pioneer") appreciates the opportunity to submit the following formal comments to the Railroad Commission of Texas on the proposed amendments to Rule 3.40 relating to Assignment of Acreage to Pooled Development and Proration Units ("Proposed Amendments"), and the Rule as a whole (collectively "the Rule"). Pioneer appreciates the willingness of the Commission to work with operators and industry trade associations to jointly arrive at proposed changes that honor the charge of the Commission to prevent waste and protect correlative rights while encouraging prudent development of the State's natural resources.

Pioneer is a large independent oil and gas exploration and production company, headquartered in Dallas, Texas. The company employs nearly 2,500 people and produces approximately 350,00 barrels of oil equivalent per day. The company's assets are primarily focused in the Spraberry (Trend Area) Field of the Permian Basin.

Pioneer has been actively involved with the discussions on proposed changes to Statewide Rule 40 as it directly impacts development of the most active basin in the United States, the Permian Basin of West Texas. As currently written, Statewide Rule 40 prevents the double assignment of acreage to more than one well in a regulatory field. However, numerous civil agreements and contracts including lease forms may horizontally divide the right to drill or produce to specific parties within a single regulatory field. The Commission recognized this situation with the approval on December 2, 2014 of the application of Pioneer Natural Resources (docket Nos. 7C-0291169 & 7C-0291171) for a special field rule allowing duplicate assignment of acreage within the Spraberry (Trend Area) Field. To date, there have been over 3,200 drilling permits filed within the Statewide Rule 40 exception field ID numbers. The inclusion of the Rule 40 exceptions fields in such a large number of permits and the absence of any known complaints or adverse action by the Commission of the same emphasizes both the need and impartiality for such relief. The considerable additional development has benefited the mineral owners, the citizens of the State of Texas, the Permian operators, and the counties and communities in which we operate.

However, as vertical leases in multiple fields continue to expire below developed depths, as large mineral owners such as University Lands System and the Bureau of Land Management issue new leases comprising only a portion of the correlative interval for a single field, as more vertically developed leases expire as to certain depths below the existing wellbores, and as horizontal development comprises only a portion of the overall correlative interval, the need for Statewide rule 40 relief to exercise one's right

to develop becomes greater and greater. Unfortunately, the line of differentiation creating the horizontal depth severances is not necessarily coincident with a geologic marker and varies from agreement to agreement, lease to lease, and even well to well. For this reason, a solution to the circumstance is needed at a statewide level

Pioneer is supportive of the formal comments submitted by the Texas Oil and Gas Association (TXOGA) to Proposed Amendments. The TXOGA comments are a multi-trade association collaboration.

Pioneer respectfully offers the TXOGA edited document and comments as its own and provides them as attachments to this notice.

Weldon Pierson

Engineering and Regulatory Advisor

Pioneer Natural Resources

**TXOGA - DRAFT 4 (12.09.19)
Formal Comments RRC SWR 40**

Citation	Concern	Suggestion
3.40 (e)(2)	Add a definition of "divided horizontally"	Add definition of "divided horizontally" to state that "a division of ownership occurs when working interest and royalty interest ownership are not identical in identical percentages" which mirrors SWR 26 to clarify when a severance is authorized to be used.
3.40(e)(2)(B)	"Within 15 days Prior" is a bit confusing. We would like to modify the language where it clearly conveys that the 15-day time period is intended to define the time period for determining offset operators and is not an advance notice period before permit filing.	To make clear the timing requirement, consider explicitly stating "no more than 15 days." The important action to be taken no more than 15 days prior to filing the W-1 is to check the GIS system for wells within ½ mile, so consider making that clear. The drilling permit application can then be filed within 15 days, including simultaneously, which expedites permitting.
3.40(e)(2)(B)	Clarification requested to notice "the P-5 address of record of each Commission designated operator of the wells determined to fall within the one-half mile radius"	Remove the word "each" and after " ... Commission designated operator add "in the same regulatory field ..."
3.40(e)(2)(B)	Concern the word "Notice" may draw unnecessary protests	Consider replacing the word "Notice" with "courtesy notice" the notice is intended to be informational only. We have continued to advocate that this is a "Good Neighbor" and should not have the ability to protest and hold up issuance of permits. This notice is intended for safety and operational planning purposes only. TXOGA believes the complaint process currently in 3.40(h) provides the correct process for addressing disputes.
3.40(e)(2)(B)	TXOGA members request they work with the RRC staff to create a standard form of courtesy notice to be sent out to operators of record clarifying this is a "Good Neighbor Notice"	Have standard language for operators to use when sending out notice of SWR40 severances to clarify good neighbor notice.
3.40(e)(2)(B)	The use of the term "all available resources" in the preamble regarding notice provision is concerning	Operators are concerned this broad term could be interpreted in a way that operators would never have confidence they have complied with the "locate" requirement. Revert language back to August 23, 2019 draft saying " ...the applicant shall use the Commission's GIS well database to find any well, including wells permitted but not

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3.40(e)(2)(F)	Seeking Clarification of rules that are superseded	<p>yet drilled or completed, that is within one-half mile of any take point along the applicant's proposed wellbore."</p> <p>TXOGA members would like to seek a clarification that the superseding language would only apply to field rules in affect at the time of the revised SWR40 adoption and specific only to the application of double assignment of acreage. Additional clarification is needed to insure the superseded language is not intended to void any other special field rules, addressing rules other than SWR 40, or any other double assignment of acreage order the commission has granted on a Lease basis. And confirm that all individual permits already granted under existing field rules are and will remain valid.</p>
3.40(e)(2)(F)	Concern with "The commission will not consider any application for field rules regarding multiple assignment of acreage in UFT field until two years after the effective date of this amendment"	<p>TXOGA appreciates and understands major software modifications are needed to be able to handle the multiple assignment of acreage and as such is the primary reason for Staff requesting this moratorium. However, we would like to see some sort of appeal process that matches statutory duties in the event an operator was to request adoption of a field rule amendment that is based on conservation, waste prevention, or correlative right protection that is not addressed in this version of the rule and is recognized after this rule takes effect.</p>
3.40(g)	<p>"If an operator does not qualify for multiple assignment of acreage under subsection (e) of this section, acreage cannot be assigned to more than one well unless the operator is granted an exception after a public hearing held after notice to all persons described in paragraph (2) of this subsection.</p> <p>(1) An operator applying for an exception must show:</p>	<p>(g) was collectively added to address SWR 40 Issues in non-UFT field that were created by the same or similar lease provision as are occurring in UFT field. As worded the only exception to SWR40 in such field would be in cases where ownership under the tract is divided horizontally as defined in subsection (e) of this section" when in fact there could be other circumstances creating conflicts with SWR 40 that do not involve horizontal subdivision and which the latest amendment was not meant to address. To resolve this conflict TXOGA members request removing (B) & (C)</p>

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	<p>(A) an exception is necessary to prevent waste, prevent confiscation, or protect correlative rights;</p> <p>(B) ownership under the tract is divided horizontally as defined in subsection (e) of this section; and</p> <p>(C) the wells are not completed in the same ownership interval.”</p>	
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