

Texas Administrative Code

[Next Rule>>](#)

TITLE 16 ECONOMIC REGULATION
PART 1 RAILROAD COMMISSION OF TEXAS
CHAPTER 3 OIL AND GAS DIVISION
RULE §3.37 **Statewide Spacing Rule**

(a) Distance requirements.

(1) No well for oil, gas, or geothermal resource shall hereafter be drilled nearer than 1,200 feet to any well completed in or drilling to the same horizon on the same tract or farm, and no well shall be drilled nearer than 467 feet to any property line, lease line, or subdivision line; provided the commission, in order to prevent waste or to prevent the confiscation of property, may grant exceptions to permit drilling within shorter distances than prescribed in this paragraph when the commission shall determine that such exceptions are necessary either to prevent waste or to prevent the confiscation of property.

(2) When an exception to this section is desired, application shall be made by filing the proper fee as provided in §3.78 of this title (relating to Fees and Financial Security Requirements) and the appropriate form according to the instructions on the form, accompanied by a plat as described in subsection (c) of this section. A person acquainted with the facts pertinent to the application shall certify that all facts stated in it are true and within the knowledge of that person.

(A) When an exception to only the minimum lease-line spacing requirement is desired, the applicant shall file a list of the mailing addresses of all affected persons, who, for tracts closer to the well than the greater of one-half of the prescribed minimum between-well spacing distance or the minimum lease-line spacing distance, include:

- (i) the designated operator;
- (ii) all lessees of record for tracts that have no designated operator; and
- (iii) all owners of record of unleased mineral interests.

(B) When an exception to the minimum between-well spacing requirement of this section is desired, the applicant is required to file the mailing addresses of those persons identified in subparagraph (A)(i)-(iii) of this paragraph for each adjacent tract and each tract nearer to the well than the greater of one-half the prescribed minimum between-well spacing distance or the minimum lease-line spacing.

(3) An exception may be granted pursuant to subsection (h)(2) of this section, or after a public hearing held after at least 10 days notice to all persons described in paragraph (2) of this subsection. At any such hearing, the burden shall be on the applicant to establish that an exception to this section is necessary either to prevent waste or to prevent the confiscation of property. For purposes of giving notice of an application for an exception, the commission will presume that every person described in paragraph (2) of this subsection will be affected by the application, unless the Oil and Gas Division director or the director's delegate determines they are unaffected. Such determination will be made only upon written request and a showing by the applicant that:

(A) competent, conclusive geological or engineering data indicate that no drainage of hydrocarbons from the particular tract(s) subject to the request will occur due to production from the applicant's proposed well; and

(B) notice to the particular operator(s), lessee(s) of record, or owner(s) of record of unleased

mineral interest would be unduly burdensome or expensive.

(b) The distances mentioned in subsection (a) of this section are minimum distances to provide standard development on a pattern of one well to each 40 acres in areas where proration units have not been established.

(c) In filing an application for an exception to the distance requirements of this section, in addition to the plat requirements in §3.5 of this title (relating to Application to Drill, Deepen, Reenter, or Plug Back) (Statewide Rule 5), the applicant shall attach to each copy of the form a plat that:

(1) shows to scale the property on which the exception is sought; all other applied for, permitted, and completed oil, gas, or oil and gas wells in the same field and reservoir on said property; and all adjoining surrounding properties and completed wells in the same field and reservoir within the prescribed minimum between-well spacing distance of the applicant's well;

(2) shows the entire lease, pooled unit, or unitized tract indicating the names and offsetting properties of all affected offset operators;

(3) corresponds to the listing required under subsection (a)(2) of this section;

(4) is certified by a person acquainted with the facts pertinent to the application that the plat is accurately drawn to scale and correctly reflects all pertinent and required data.

(d) In the interest of protecting life and for the purpose of preventing waste and preventing the confiscation of property, the commission reserves the right in particular oil, gas, and geothermal resource fields to enter special orders increasing or decreasing the minimum distances provided by this section.

(e) No well drilled in violation of this section without special permit obtained, issued, or granted in the manner prescribed in said section, and no well drilled under such special permit or on the commission's own order which does not conform in all respects to the terms of such permit shall be permitted to produce either oil, gas, or geothermal resources and any such well so drilled in violation of said section or on the commission's own order shall be plugged.

(f) No operator shall commence the drilling of a well, either on a regular location or on a Rule 37 exception location, until first having been notified by the commission that the regular location has been approved, or that the Rule 37 exception location has been approved. Failure of an operator to comply with this subsection will cause such well to be closed in and the holding up of the allowable of such well.

(g) Subdivision of property.

(1) In applying Rule 37 (Statewide Spacing Rule) of statewide application and in applying every special rule with relation to spacing in every field in this state, no subdivision of property made subsequent to the adoption of the original spacing rule will be considered in determining whether or not any property is being confiscated within the terms of such spacing rule, and no subdivision of property will be regarded in applying such spacing rule or in determining the matter of confiscation if such subdivision took place subsequent to the promulgation and adoption of the original spacing rule.

(2) Any subdivision of property creating a tract of such size and shape that it is necessary to obtain an exception to the spacing rule before a well can be drilled thereon is a voluntary subdivision and not entitled to a permit to prevent confiscation of property if it were either:

(A) segregated from a larger tract in contemplation of oil, gas, or geothermal resource development; or

(B) segregated by fee title conveyance from a larger tract after the spacing rule became effective and the voluntary subdivision rule attached.

(3) The date of attachment of the voluntary subdivision rule is the date of discovery of oil, gas, or geothermal resource production in a certain continuous reservoir, regardless of the subsequent lateral extensions of such reservoir, provided that such rule does not attach in the case of a segregation of a small tract by fee title conveyance which is not located in an oil, gas, or geothermal resource field having a discovery date prior to the date of such segregation.

(4) The date of attachment of the voluntary subdivision rule for multiple reservoir fields located in the same structural feature and separated vertically but not laterally (i.e., the multiple reservoirs overlap geographically at least in part), shall be the same date as that assigned to the earliest discovery well for such multiple reservoir structure.

(5) If a newly discovered reservoir is located outside the then productive limits of any previously discovered reservoirs and is classified by the commission as a newly discovered field, then the date of discovery of such newly found reservoir remains the date of attachment for the voluntary subdivision rule, even though subsequent development may result in the extension of such newly discovered reservoir until it overlies or underlies older reservoirs with prior discovery dates.

(6) The date of attachment of the voluntary subdivision rule for a reservoir that has been developed through expansion of separately recognized fields into a recognized single reservoir and is merged by commission order is the earliest discovery date of production from such merged reservoir, and that date will be used subsequent to the date of merger of the fields into a single field.

(7) The date of attachment of the voluntary subdivision rule for a reservoir under any special circumstance which the commission deems sufficient to provide for an exception may be established other than as prescribed in this section, so that innocent parties may have their rights protected.

(h) Exceptions to Rule 37.

(1) An order granting exception to Rule 37 wherein protest is had shall carry as its last paragraph the following language: It is further ordered by the commission that this order shall not be final until 20 days after it is actually mailed to the parties by the commission; provided that if a motion for rehearing of the application is filed by any party at interest within such 20-day period, this order shall not become final until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the commission. Permits issued pursuant to paragraph (2) of this subsection shall be issued without the 20-day waiting period.

(2) The director of the Oil and Gas Division or a delegate of the director may issue an exception permit for drilling, deepening, or additional completion, recompletion, or reentry in an existing well bore if:

(A) a notice of at least 10 days has been given, and no protest has been made to the application; or

(B) written waivers of objection are received from all persons to whom notice would be given pursuant to subsection (a)(2) of this section.

(3) Applications filed for drilling, deepening, or additional completion, recompletion, or reentry will be processed and permit issued in accordance with this regulation, subject to the commission's discretion to set any application for hearing. If the director or a delegate of the director declines to grant an application, the operator may request a hearing.

(i) Rule 37 permits.

(1) Unless otherwise specified in a permit or in a final order granting an exception to this section, permits issued by the commission for completions requiring an exception to this section

shall expire two years from the effective date of the permit unless drilling operations are commenced in good faith within the two-year permit period. The permit period will not be extended.

(2) So long as a Rule 37 exception is in litigation, the two-year permit period will not commence. On final adjudication and decree from the last court of appeal the two-year permit period will commence, beginning on the date of final decree.

(j) Once an application for a spacing exception has been denied, no new application shall be entertained except on changed conditions. Changed conditions in the commission's administration of its Spacing Rule 37 and amendments thereto applicable to the various special fields and reservoirs of Texas and in passing upon applications for permits under said rule and amendments shall include, among other things, the following.

(1) Any material changes in the physical conditions of the producing reservoir under the tract under consideration or under the area surrounding said tract which would materially affect the recovery of oil, gas, or geothermal resource from the given tract.

(2) Any material changes in the distribution or allocation of allowable production in the area surrounding the tract under consideration which would materially affect or tend to affect the recovery of oil, gas, or geothermal resource from the given tract.

(3) Any additional permits granted by the commission for wells drilled in the area surrounding or on offset tracts to the tract under consideration which would materially affect or tend to affect the recovery of oil, gas, or geothermal resource from the given tract.

(4) Any additional facts or evidence thereof materially affecting or tending to affect the recovery of oil, gas, or geothermal resource from the applicant's tract, or the property rights of applicant, which were not known of and considered by the commission at any previous hearing or application thereon.

(k) Exceptions to Statewide Rule 37 apply to the total depth for which the permit is granted or if special field rules are applicable, an exception to the spacing rule shall be granted only for the reservoir or reservoirs or applicable depth to which the well is projected. Subsequent recompletion of the well to reservoirs other than that covered by the permit issued would be granted only after the filing and processing of a new application.

(l) Salt dome oil or gas fields.

(1) The provisions of this section shall not apply to certain approved salt dome oil or gas fields. An application for classification as a salt dome oil or gas field shall include the following:

(A) geological evidence proving that an oil or gas field is a piercement-type salt dome, that faulting has caused the producing formation to be at a 45 angle or greater, and that each well is likely to be completed in a separate reservoir;

(B) establishment, by plat or otherwise, of the probable productive limits of the salt dome area;

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