BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF A PERMANENT RULEMAKING OF THE OKLAHOMA CORPORATION COMMISSION AMENDING **OAC 165:10, OIL & GAS CONSERVATION**	**CAUSE NO. RM 202100003**

CHAPTER 10 RULES ADOPTED BY THE COMMISSION AT A PUBLIC HEARING ON MARCH 18, 2021

TITLE 165. CORPORATION COMMISSION
CHAPTER 10. OIL & GAS CONSERVATION

SUBCHAPTER 3. DRILLING, DEVELOPING, AND PRODUCING

PART 5. OPERATIONS

165:10-3-28. Horizontal drilling

(a) **Scope.** This Section affects a horizontal well with one or more laterals.

(b) **Definitions.** The following words and terms, when used in this Section, shall have the following meaning, unless the context clearly indicates otherwise:

(1) **"Adjacent common source of supply"** shall mean a common source of supply which is immediately adjacent to and adjoining the targeted reservoir(s) in a multiunit horizontal well being drilled or a well being drilled in a horizontal well unitization pursuant to 52 O.S. § 87.6 et seq. and which is inadvertently encountered in the drilling of the lateral of a multiunit horizontal well or a well pursuant to a horizontal well unitization when such well is drilled out of or exits, whether on one or multiple occasions, the targeted reservoir(s), and which is not the primary target of the subject well and shall not be included in the relinquished rights pursuant to 52 O.S. § 87.1(h). In the event that an adjacent common source of supply may be inadvertently encountered in the drilling of the lateral of a multiunit horizontal well or a well pursuant to a horizontal well unitization when such well is drilled out of or exits, whether on one or multiple occasions, the targeted reservoir(s), then said inadvertently entered adjacent common source of supply shall be included as part of the targeted reservoir only for the purpose of the inadvertent penetrations, and any subsequent completion, commingling and production of said adjacent common source of supply with the targeted reservoir(s), but not for future development of said adjacent common source of supply [52 O.S. § 87.6(B)(1)].

(2) **"Completion interval"** shall mean, for open hole completions, the interval from the point of entry to the terminus and, for cased and cemented completions, the interval from the first perforations to the last perforations [52 O.S. § 87.6(B)(5)].
(3) **"Conventional reservoir"** shall mean a common source of supply that is not an unconventional reservoir.
(4) **"Date of first production"** shall mean the date hydrocarbons are first produced from the horizontal well, whether or not production occurs during drilling, completion, or through permanent surface equipment.
(5) **"Directional survey"** shall mean that survey or report showing the location of any point of the wellbore as it relates to the surveyed surface location from the surface to the terminus of each lateral.
(6) **"Horizontal component"** shall mean the calculated horizontal distance from the point of entry to the terminus [52 O.S. § 87.6(B)(8)].
(7) **"Horizontal well"** shall mean a well drilled, completed, or recompleted with one or more laterals which, for at least one lateral, the horizontal component of the completion interval exceeds the vertical component of the completion interval and the horizontal component extends a minimum of 150 feet in the formation [52 O.S. § 87.6(B)(6)].
(8) **"Horizontal well unit"** shall mean a drilling and spacing unit established by the Commission, after application, notice, and hearing, for a common source of supply into which a horizontal well has been or will be drilled.
(9) "**Horizontal well unitization"** shall mean a unitization for a targeted reservoir created pursuant to 52 O.S. § 87.6 et seq. [52 O.S. § 87.6(B)(7)].
(10) **"Lateral"** shall mean the portion of the wellbore of a horizontal well from the point of entry to the terminus [52 O.S. § 87.6(B)(9)].
(11) "**Multiunit horizontal well"** shall mean a horizontal well in a targeted reservoir or targeted reservoirs wherein the completion interval of the well is located in more than one unit formed for the same targeted reservoir, with the well being completed in and producing from such targeted reservoir in two or more of such units [52 O.S. § 87.6(B)(10)].
(12) **"Non-standard horizontal well unit"** shall mean a horizontal well unit that is not a standard horizontal well unit.
(13) **"Point of entry"** shall mean the point at which the borehole of a horizontal well first intersects the top of the common source of supply [52 O.S. § 87.6(B)(12)].
(14) **"Standard horizontal well unit"** shall mean a horizontal well unit that is a square 10-, 40-, 160-, or 640-acre tract or a rectangular 20-, 80-, 320- or 1,280-acre tract in accordance with OAC 165:10-1-22.
(15) **"Targeted reservoir"** shall mean one or more common sources of supply which will be encountered by the horizontal lateral portion of a horizontal well, and which has been designated by the Commission as part of an order, rule or emergency rule as

potentially suited for development for the applied for multiunit horizontal well or horizontal well unitization pursuant to 52 O.S. § 87.6 et seq. Provided, however, that more than one common source of supply may only be granted by the Commission and included in the targeted reservoir upon a showing of reasonable cause by the applicant requesting the multiunit well in the application requesting authority for the multiunit well prior to the drilling of said multiunit well that the inclusion of the additional common source(s) of supply shall prevent waste and protect the correlative rights of all of the owners of the oil and gas rights [52 O.S. § 87.6(B)(14)].

(16) **"Terminus"** shall mean the end point of the borehole of a horizontal well in the targeted reservoir [52 O.S. § 87.6(B)(15)].

(17) **"True vertical depth"** shall mean that depth at the point of entry perpendicular to the surface as measured from the elevation of the kelly bushing on the drilling rig.

(18) **"Unconventional reservoir"** shall mean a common source of supply that is a shale or a coal bed. "Unconventional reservoir" shall also mean any other common source of supply designated as such by Commission order or rule.

(19) **"Vertical component"** shall mean the calculated vertical distance from the point of entry to the terminus of the lateral [52 O.S. § 87.6(B)(20)].

(c) **General horizontal well requirements.**

(1) Within 60 days after completion of a horizontal well, the operator shall show that the location of the completion interval complies with the applicable general rule, location exception order, or other order of the Commission by submitting the following to the Technical Services Department:

(A) A directional survey run in the horizontal well. The survey shall be submitted electronically using a program provided by the Commission.

(B) A plat constructed from the results of the directional survey showing the completion interval.

(2) The completion interval of an oil and or gas horizontal well shall be located not closer than the minimum distance as set out below from any other oil or gas well completed in the same common source of supply except as authorized by a special order of the Commission:

(A) Three hundred feet from any other oil or gas well completed in the same common source of supply, the top of which is less than 2,500 feet in true vertical depth.

(B) Six hundred feet from any other oil or gas well completed in the same common source of supply, the top of which is 2,500 feet or more in true vertical depth.

(C) This paragraph does not apply to horizontal wells drilled in a unit created for secondary or enhanced recovery operations pursuant to 52 O.S. § 287.1 et seq. or to horizontal wells drilled in a horizontal well unitization created pursuant to 52 O.S. § 87.6 et seq. or to any wells operated by the same operator in the unit. Notification to working interest owners must be indicated on Form 1000.

(3) The perforated interval of an oil or gas non-horizontal well shall be located not closer than the minimum distance as set out below from the completion interval of any oil or gas horizontal well completed in the same common source of supply, except as authorized by a special order of the Commission:

(A) Three hundred feet from any completion interval of any oil or gas horizontal well completed in the same common source of supply, the top of which is less than 2,500 feet in true vertical depth.

(B) Six hundred feet from any completion interval of any oil or gas horizontal well completed in the same common source of supply, the top of which is 2,500 feet or more in true vertical depth.

(C) This paragraph does not apply to non-horizontal wells drilled in a unit created for secondary or enhanced recovery operations pursuant to 52 O.S. § 287.1 et seq.

(d) **Horizontal well requirements in an unspaced common source of supply.** In a horizontal well drilled in a common source of supply in which the Commission has not established any drilling and spacing units or horizontal well units, the completion interval of a horizontal well may not be located closer to the boundaries of the applicable mineral estate, oil and gas leasehold estate, or voluntary unit than the minimum distance set out below except as authorized by a special order of the Commission:

(1) Not less than 165 feet when the top of the common source of supply is less than 2,500 feet in true vertical depth.

(2) Not less than 330 feet when the top of the common source of supply is 2,500 feet or more in true vertical depth.

(e) **Drilling and spacing units.**

(1) A horizontal well may be drilled on any drilling and spacing unit.

(2) A horizontal well unit may be created in accordance with 165:10-1-22 and 165:5-7-6. Such units shall be created as new units after notice and hearing as provided for by the Rules of Practice, OAC 165:5.

(3) The Commission may create a non-standard horizontal well unit covering contiguous lands in any configuration or shape deemed by the Commission to be necessary for the development of a conventional reservoir or an unconventional reservoir by the drilling of one or more horizontal wells. A non-standard horizontal well unit may not exceed 1,280 acres plus the tolerances and variances allowed pursuant to 52 O.S. § 87.1.

(4) A horizontal well unit may be established for a common source of supply for which there are already established non-horizontal drilling and spacing units, and said horizontal well unit may include within the boundaries thereof more than one existing non-horizontal drilling and spacing unit for the common source of supply. Upon the formation of a horizontal well unit that includes within the boundaries thereof one or more non-horizontal drilling and spacing units, the Commission shall provide that such

horizontal well unit exists concurrently with one or more of such non-horizontal drilling and spacing units, and each such unit may be concurrently developed.

(f) **Horizontal well location requirements for horizontal well units and horizontal well unitizations.**

(1) **Conventional reservoirs.** In a conventional reservoir, the completion interval of a horizontal well in a horizontal well unit shall be located not less than the minimum distance from the unit boundary as follows:

(A) Not less than 165 feet from the boundary of any 10-, 20-, or 40-acre horizontal well unit.

(B) Not less than 330 feet from the boundary of any 80- or 160-acre horizontal well unit.

(C) Not less than 660 feet from the boundary of any 320-, 640- or 1,280-acre horizontal well unit.

(2) **Unconventional reservoirs.** In an unconventional reservoir, the completion interval of a horizontal well in a horizontal well unit shall be located not less than the minimum distance from the unit boundary as follows:

(A) Not less than 165 feet from the boundary of any 10-, 20-, or 40-acre horizontal well unit.

(B) Not less than 330 feet from the boundary of any 80-, 160-, 320-, 640- or 1,280-acre horizontal well unit.

(3) **Horizontal well unitizations.** The completion interval of a horizontal well in a horizontal well unitization shall not be located less than 330 feet from the unit boundary.

(g) **Alternative well location requirements.** The Commission may establish well location requirements different from those provided in subsection (f) of this Section when necessary to prevent waste and protect correlative rights. These requirements may be established in the order creating a standard or non-standard horizontal well unit or through a special rule of the Commission covering a conventional or unconventional reservoir in a designated geographic area. (see OAC 165:10, Subchapter 29, Special Area Rules).

(h) **Allowable.**

(1) Horizontal oil well allowables may be established administratively using the standard allowables provided in Appendix A (Allocated Well Allowable Table) supplemented by the additional allowables provided in Appendix C (Table HD) to this Chapter.

(2) The allowable for a horizontal gas well shall be computed in the manner prescribed for a non-horizontal gas well in the same common source of supply. <u>The allowable for a horizontal well in a horizontal well unit 640-acres in size or less shall be the minimum well allowable as established in the current proration order determining the allowable formula issued pursuant to OAC 165:10-17-11, unless a higher allowable is established by conducting a flow potential test. The allowable for</u>

a horizontal well in a horizontal well unit in excess of 640-acres in size shall be calculated by multiplying the minimum well allowable by the quotient of the number of acres in the unit divided by 640. If an allowable higher than the minimum well allowable is established by way of a flow potential test, then the higher allowable will be utilized in calculating the appropriate allowable for a horizontal well in a horizontal well unit in excess of 640-acres in size.

(3) The allowable for a horizontal well unit or horizontal well unitization with multiple horizontal gas wells shall be the sum of the allowables for the separate horizontal gas wells. For this summation, the allowable for each horizontal gas well will be calculated as if it were the only well in the unit.

(4) The allowable for a multiunit horizontal well shall be allocated to each affected unit using the allocation factors determined in accordance with 52 O.S. § 87.8(B)(1).

(5) A non-horizontal well in a non-horizontal drilling and spacing unit which exists concurrently with a horizontal well unit shall be assigned the same allowable as a horizontal well in the horizontal well unit producing from the same common source of supply, except as otherwise specified by Order of the Commission.

(i) **Pooling.** Horizontal well units, horizontal well unitizations and multiunit horizontal wells may be pooled as provided in 52 O.S. § 87.1, 52 O.S. § 87.6 et seq. and Commission Rules of Practice, OAC 165:5.

SUBCHAPTER 17. GAS WELL OPERATIONS AND PERMITTED PRODUCTION

165:10-17-6. General well testing requirements

(a) All single-point and multi-point potential tests shall be calculated for all non-exempt gas wells in a uniform manner with respect to the following:

(1) The potential shall be the calculated wellhead absolute open flow potential of the well determined by obtaining a static column wellhead flowing pressure and shall indicate the capacity of the well to produce against zero psia at the wellhead.

(2) All pressures used in test calculations shall be corrected to pounds per square inch absolute, using 14.4 psia as the average barometric pressure.

(3) The static column wellhead pressure, either measured or calculated as reported in the potential test, shall be no more than 90 percent of the wellhead shut-in pressure. If data cannot be obtained in accordance with the foregoing provisions, an assumed static column wellhead pressure of 90 percent of the wellhead shut-in pressure shall be used to calculate the results of the test. This paragraph supersedes any contrary provision in special pool rules.

(b) The operator of a well shall be responsible for testing the well and submitting the test results to the Conservation Division. The results of a potential test shall be filed with the Conservation Division on Form 1016. If the operator wishes to obtain a copy of the approved Form 1016, he shall enclose with the original form a self-addressed stamped envelope and one additional copy of the test and/or form. The Conservation Division shall acknowledge such requests within 15 days, stating either the date of acceptance of the test results or rerunning the original test if it has been rejected. If any order or rule of

the Conservation Division requires witnessing of a test, the operator of the well shall be responsible for securing the presence of an authorized Conservation Division representative to witness the test and sign the Form 1016 for the test.
(c) Unless otherwise prescribed by special pool rules, field testing procedure shall be performed in accordance with the procedures set out in Oklahoma Corporation Commission Manual of Back-Pressure Testing of Gas Wells, Parts I and II, utilizing the specified tables in the Interstate Oil and Gas Compact Commission Manual of Back-Pressure Testing. A gas turbine meter may be used in lieu of an orifice meter for flow measurements in gas well testing.
(d) The initial test for all gas wells shall be run into the pipeline within 30 days and test results filed within ~~45~~60 days after the date of first sales of gas. Any test filed after the ~~45~~60 day limit will not be made effective until the first of the month following the date of acceptance of the test. With regard to initial tests for special allocated gas wells, the operator of the well shall provide twenty-four (24) hours notice to the Conservation Division of its intent to run an initial test in order to give the Conservation Division the opportunity to witness said test, but in no case shall the operator be precluded from performing said test and filing the results as provided for in subsection (b). Initial tests for special allocated gas wells need not be witnessed, nor signatures obtained, if witnessed, in order for the Conservation Division to assign an allowable to said well. Initial tests for unallocated gas wells with calculated open flow of less than two million cubic feet per day are exempt from witnessing by Conservation Division personnel under 165:10-17-7(b)(1).
(e) ~~The annual test~~Tests for all non-exempt gas wells shall be run into a pipeline in accordance with this Section or applicable pool rules. Any annual test for a well in a special allocated pool, filed late shall not be made effective until the first of the month following the date of acceptance of the test.
~~(g)~~(f) Wells in allocated pools shall be tested in accordance with the requirements for wells in unallocated pools, unless superseded by specific field rules. Form 1016 shall be used to report shut-in pressure tests on wells in allocated and special allocated pools, except for the Guymon-Hugoton Pool #182 which shall use a form 1017 Deliverability Gas Test.

165:10-17-7. Well tests

(a) **Wells in special allocated pools.**

(1) An initial test shall be filed for each newly completed gas well in each special allocated pool. The well shall be tested into a pipeline no later than 30 days after the date of the first sale of gas. Test procedures shall be those specified in the applicable pool rules subject to the uniform requirements of 165:10-17-6.

(2) An annual test shall be filed in accordance with the requirements of the applicable pool rules, subject to the following provisions specific to the Guymon-Hugoton special allocated pool.

(3) **Wells in the Guymon-Hugoton special allocated pool.**

(A) The Conservation Division staff will not be required to witness any well test on any well in the Guymon-Hugoton special allocated gas pool unless requested to do so by an offset operator. Operators have a right to witness any well test on any well offsetting said operator's well in the pool. Operators of offsetting wells will be given sufficient prior notice of testing to allow for a representative to be present to witness testing, and will be provided access to the designated witness throughout testing.

(B) Wells in the Guymon-Hugoton special allocated gas pool which are not capable of producing 450 Mcf/day will be exempt from biannual deliverability tests. Operators shall have the right to elect to receive the minimum allowable by deciding not to conduct well deliverability tests on any such wells in the pool. No well shall be exempt from the annual wellhead shut-in pressure test requirements. For the purpose of the annual wellhead shut-in pressure test, the shut-in pressure shall be measured after the well has been shut-in for approximately 48 hours. In no case shall the well have been shut-in for less than 44 hours at the time the shut-in pressure is taken.

(b) **Wells in unallocated pools.**

(1) **Testing of newly completed or newly recompleted wells.**

(A) An initial test shall be submitted to the Conservation Division for each newly completed gas well or recompleted gas well involving a new formation in an unallocated gas pool under 165:10-17-2. The well shall be tested into a pipeline no later than 30 days after the date of first sale of gas into a pipeline. The flow period for the initial test shall be 24 hours.

(B) It shall not be necessary for the operator to submit the initial flow potential test for an unallocated well with a maximum flow rate of less than the minimum allowable. Only a current 24-hour wellhead shut-in pressure is required, unless otherwise requested by the Commission. A copy of the Form 1002A Completion Report may be submitted in lieu of Form 1016 to establish the minimum allowable, provided the section on the Form 1002A Completion Report requesting a minimum gas allowable is explicitly marked, and the following items are reported:

(i) current 24 hour shut-in pressure;

(ii) date of first sales and date of recompletion, if applicable;

(iii) Oklahoma Tax Commission production unit number; and

(iv) name of reporting entity of monthly gas volumes for the well (either the purchaser/measurer, or self-reporting operator). If the required information is not provided on the Form 1002A Completion Report submitted to the Commission, an initial test on Form 1016 containing the information must be filed with the Commission to establish an initial allowable for the well.

(C) An initial potential test is required to receive an allowable greater than a minimum allowable. ~~If said initial test is taken between January 1 and April 30 of the calendar year, the test shall be used for allowable purposes for the remainder of that calendar year. If the initial test is taken between May 1 and December 31, the test shall be effective for the remainder of the current calendar year, and for the entire succeeding calendar year.~~The established allowable shall be from the date of first sales of gas, provided that a complete and correct Form 1002A Completion Report for the well is filed with the Commission within 60 days after the date of first sales. If the Form 1002A Completion Report is filed with the Commission after the 60 day period, the allowable will become effective on the first day of the month in which the Form 1002A Completion Report is approved by the

Commission. A request to extend the time to test may be granted by the Conservation Division in order to recover fluids introduced into the well. The request shall be submitted in writing to the Conservation Division with the expected test date.

(2) **~~Annual testing~~Testing or retesting of established gas wells.** A potential test to assign a new allowable for an initially tested well may be submitted on Form 1016 at any time after three months from the date of the initial test. To establish or maintain an allowable greater than the minimum allowable after the initial potential test, a potential test shall be run at least once every 12 months for the first two years, and every two years thereafter. The established allowable from any potential test shall be valid for 12 months from the date of first sales of gas. ~~A test run between January 1 and April 30 shall be effective for the remainder of that calendar year. A test run between May 1 and December 31 shall be effective for the remainder of the current calendar year, and for the entire succeeding calendar year.~~ The Director of the Conservation Division may require additional tests at any time. Tests become effective the first day of the month following acceptance of the test by the Conservation Division.

(A) Unless specifically requested by the Director of the Conservation Division, it shall not be necessary to run ~~an annual~~a potential test or retest for an established well having a flow rate of less than the minimum allowable.

(B) Upon expiration of a potential test, the well will revert to a minimum allowable status, unless superseded by a later potential test.

(C) If two or more potential tests are submitted for a well, and the effective periods of the tests overlap or conflict, the test having the greatest calculated open flow potential shall be utilized to determine the well's allowable for the overlapping period.

(3) **One-point tests.** The potential test required for each gas well in each unallocated pool shall use the one-point back pressure method and an assumed flow characteristic of 0.85 shall be used in establishing the wellhead absolute open flow. The test shall be governed by the requirements of OAC 165:10-17-6.

(4) **Durability of minimum allowable.** Once an initial allowable is established for a well, that well shall be assigned at least a minimum allowable until such time the well is plugged, reclassified, recompleted or commingled into an additional formation, or is found to be in violation of a rule or order of the Commission. If a potential test is submitted for the well, that test will supersede the minimum allowable for the effective period of the test set out herein.

(5) **Test exemptions for certain minimum wells.**

(A) The following types of gas wells shall be exempt from initial and annual potential and shut-in tests:

(i) Minimum gas wells producing exclusively from coal bed methane formations.

(ii) Minimum gas wells producing from shale formations or including shale formations, if commingled.

(iii) Minimum gas wells using down hole pumps for artificial lift of produced liquids.

(iv) Minimum gas wells producing less than 100 mcf/day.

(B) For these exempt wells operators shall report the initial stabilized rate of production on Form 1002A "Completion Report" in lieu of reporting an initial test on Form 1016 "Backpressure test for Natural Gas Wells".

(6) **Alternate shut–in pressure.** The Conservation Division may allow the equivalent of the 24-hour shut-in pressure required in this Section and in OAC 165:10-17-6 to be derived from accepted industry methodologies if the operator sufficiently demonstrates to the Division that such calculations will result in an appropriate representation of the actual 24-hour shut-in pressure.

(7) **Minimum compliance.** Each operator shall be responsible for conducting and submitting the required potential tests on the applicable form. All submitted tests must contain complete and accurate information. Permitted production rates will be granted only to those wells which meet this requirement and all other rules or orders of the Commission.

165:10-17-11. Maximum permitted rates of production for unallocated gas wells

(a) **Scope.**

(1) This Section shall apply to each gas well in unallocated status except as otherwise provided by Commission order. The Commission may establish different production rates by:

(A) Location exception order.

(B) Establishment of pool rules for the common source of supply.

(C) Other order adjusting gas production from the well.

(2) For purposes of this Section, the term "well" shall include any drilling and spacing unit with multiple unallocated gas wells, which do not receive separate maximum permitted rates of production by Commission order.

(3) For the purposes of this Section, the term "allowable formula" shall mean the formula used by the Commission for the determination of the daily rates for capable and minimum wells.

(4) For purposes of this Section, the term "capable well" shall refer to those unallocated gas wells ~~having a wellhead absolute flow potential of 2000 mcf/d or greater~~with a production rate of 3000 mcf/d or greater. All other wells are minimum wells.

(5) For purposes of this Section, the term "daily natural flow" means the wellhead absolute open flow potential determined in the manner described in OAC 165:10-17-6 and OAC 165:10-17-7.

(b) **Commission authority and responsibility**. Production shall be governed by the provisions of 52 O.S. Section 29. Pursuant to said statute, the Commission has the power and authority to adjust allowables to meet reasonable market demand. The Commission, upon its own application, after notice and hearing, shall establish allowables which may be greater or lesser than those set forth in 52 O.S. Section 29.

(c) **Procedure.**

(1) Allowables for wells other than those provided in subsections (a), (e), (f), and (g) of this Section shall be determined pursuant to a proration hearing held at least annually. The Commission may hold additional proration hearings at shorter intervals if necessary. At least 15 days prior to scheduled annual hearings, the Commission

shall publish in a newspaper of general circulation in Oklahoma County, the proposed allowable formula for the next proration period. The annual proration hearings shall be held at least 30 days prior to the proration period for which the allowable is being determined. Such hearing shall be for the purpose of gathering comments and hearing testimony from all interested parties concerning the determination of reasonable market demand for the next proration period. As a guideline, but not to the exclusion of any other information that the Commission deems pertinent, the following may be considered by the Commission in determining reasonable market demand and corresponding allowables:

(A) Production from prior years.

(B) Production from the most recent proration period.

(C) Wellhead open flow potentials.

(D) New wells, recompletions, temporarily abandoned wells and plugged wells.

(E) Gas which is available but is not being produced at the present time.

(F) Changes in existing gas markets, forecasts, and new markets for Oklahoma gas.

(G) State-wide gas production and the portion thereof attributable to unallocated gas wells.

(H) Overproduction and underproduction from the preceding proration period.

(2) After a proration hearing, the Commission shall publish in a newspaper of general circulation in Oklahoma County, the allowable formula, no later than 15 days prior to the proration period for which the allowable formula is determined.

(d) **Emergency allowables.**

(1) When the Commission determines that an emergency gas supply situation exists, the Commission may establish an emergency allowable. The emergency allowable shall provide for the protection of correlative rights including those relating to minimum wells and penalized wells.

(2) The Commission may extend or change the emergency allowable for as long as an emergency exists. However, any authorized extension of the emergency allowable shall be by order after notice and hearing.

(e) **Exceptions.** Upon application, notice, and hearing, the Commission may establish a different allowable for good cause shown.

(f) **Exclusion for hardship and distressed wells.** The allowable established under this Section shall not limit rates established by special order for those wells classified as hardship or distressed wells.

(g) **Discovery gas well.**

(1) For thirty (30) months from the date of first production, a discovery gas well, as defined in this subsection, subject to the provisions of this Section, shall have a production allowable which shall be the greater of one thousand three hundred (1,300) mcf/d or sixty-five percent (65%) of the absolute open flow (AOF) as specified by the Corporation Commission. Such discovery well allowable shall not be available for any discovery gas well wherein two (2) or more separate common sources of supply are commingled and one (1) common source of supply would not qualify a new gas well as a discovery gas well, as defined in this Section.

(2) Drilling and spacing units which are downspaced after June 1, 1997, shall not qualify for the discovery gas well allowable.

(3) For purposes of this subsection, "discovery gas well" shall mean a new gas well, which is not an off-pattern well, is the first well completed in a common source of supply within a drilling and spacing unit and is at least one (1) mile from all existing gas wells which are completed in the same common source of supply. In the absence of spacing, a discovery well shall be the first well in the governmental section completed in a common source of supply, provided that the discovery gas well shall not be drilled closer than one thousand three hundred twenty (1,320) feet from the boundaries of the governmental section and is at least one (1) mile from all existing gas wells which are completed in the same common source of supply.

(h) **Exclusion for reservoir dewatering.** Allowables shall not apply, regardless of unit size, in the instance of production of gas by reservoir dewatering to extract said gas from reservoirs having initial water saturations at or above fifty (50%) percent.

(i) **Minimum compliance.**

(1) The Conservation Division shall monitor well production at least annually. The allowable for a well shall be based on the product of the number of days in the proration period, multiplied by the applicable allowable formula, provided that said product shall be reduced for overproduction as provided by this Section or by any penalty or limitation on production imposed by applicable Commission order.

(2) Any overproduction existing at the end of the calendar year shall be applied against the allowable for the next calendar year. Furthermore, the overproduced well shall be required to make up overproduction within the first six months of the next calendar year. If the overproduction is not made up within that time period, the flow rate shall not exceed ten percent of the then current allowable until the overproduction is made up.