

Surface Commingling Requirements

In accordance with the Board for Lease Rules of University Lands an operator must submit, prior to commingling production, a written request in letter form along with a copy of the P-17 and 2 plats; a production storage facility schematic and a plat depicting the location of wells and leases to be commingled. The request letter should include an exhibit with the proposed commingled UL Leases, their location and royalty rates. In addition, a list of all easements associated with the proposed commingle and proof of payment for said easements must be included. The letter and supporting documentation will be reviewed by UL personnel and a response submitted via email. All requests, whether original or an amendment to an existing commingle, should be submitted to ULCommingle@utsystem.edu. The BFL Rules, as they apply to surface commingling, can be found below. For a full set of Board for Lease Rules, please visit the following website: <http://www.utsystem.edu/bfl/rules.html>

4.202 Approval of Surface Commingling. Prior to commingling oil and/or gas, installing a LACT system, or installing off- lease storage facilities for production from a university Lease, the Lessee must apply for and obtain the written approval of the Director. Lessee shall submit all information necessary for evaluation of the application, including the schematic diagrams identifying all lines, meters, equipment and the routing of the production stream. The Board authorizes the Director to approve on its behalf those applications, determined to be in the best interest of the PUF. No approval is valid or effective unless and until the applicant has received written notice of approval. Lessee must apply for and receive advance written approval of the Director for any modification or alteration of existing or previously approved facilities.

4.210 Surface Commingle Rules.

(a) The Board authorizes the Director to approve on its behalf applications for commingling. Commingling must be approved before any commingling of production occurs. Commingling prior to approval by the Director, including adding new Leases to an approved commingling permission without prior approval, will be considered a violation of all Leases involved in the commingle and subject all of the Leases involved to forfeiture by the Board. Notwithstanding the granting of approval by the RRC, University Lands approval is independently required.

(b) Applications shall include the following:

1. University Lease numbers
2. RRC lease numbers (if available)
3. Lease names and well numbers
4. County, Block, Section, and part held by production in each Lease
5. Royalty rate of each Lease. Ordinarily, all commingled Leases should bear the same royalty rate.
6. Name of fields in which production is currently being reported
7. Name of field in which commingled production will be reported
8. Proposed method of testing
9. An initial plat or schematic of all facilities (flow lines, tankage, separation, headers, compression, and metering with latitude and longitude for each commingled battery.)
10. Copies of all RRC required documentation.

(c) Construction of Facilities.

1. All facilities must be constructed to industry standard.
2. Facilities shall be constructed with separate flow lines in a manner that provides the ability to test each well on each University Lease included in the commingle battery.
3. Production from each well shall enter by way of a header in which each Lease is clearly identified at the entry valve.
4. Header shall be constructed in such a manner that will allow each Lease to be isolated for testing purposes.
5. Satellite batteries are permitted.
6. Lessee must provide an as-built plat, including flow lines, tankage, separation, headers, compression, and metering with latitude and longitude for each commingled battery
7. Final approval of Director must be obtained before commingling may proceed.

(d) Testing Requirements.

1. Well tests will be performed on each well within an approved commingled Lease on at least an annual basis.
2. University Lands reserves the right to require well tests upon written notification.
3. Results of well tests shall be filed with University Lands within fifteen (15) days after testing or as approved in writing by the Director.