

**APPLICATION FOR CERTIFICATE  
OF DESIGNATION AS THE OPERATOR  
OF ORPHANED OIL OR GAS WELLS**

**FORM OW-2**

EFF. 04-2006

**-RRC USE ONLY-**

**READ INSTRUCTIONS ON BACK**

P-4 Status: \_\_\_\_\_  
Financial Security Status: \_\_\_\_\_  
P-5 Status: \_\_\_\_\_  
Initials of reviewer: \_\_\_\_\_  
Date: \_\_\_\_\_

1. Operator name (exactly as shown on P-5 Organization Report)		2. Operator P-5 No.
3. Operator address (including city, state, and zip code)		
4. County:	5. Field Name:	6. Field No.:
7. Lease Name		
8. Individual well information (exactly as shown on Proration Schedule) <i>NOTE: Please complete one form for each lease.</i>		

Oil Lease or Gas ID No.	Well Number	API No. (if known) 42-	Oil Lease or Gas ID No.	Well Number	API No. (if known) 42-

**CERTIFICATION**

In accordance with §89.047, Tex. Nat. Res. Code, relating to the Orphaned Well Reduction Program, I wish to be designated as the operator of the above-listed orphaned oil or gas wells.

I declare under penalties in §91.143, Texas Natural Resources Code, that I am authorized to file this application, that this application was prepared by me or under my supervision and direction, and that the data and facts stated therein are true, correct and complete to the best of my knowledge.

SIGNATURE \_\_\_\_\_ NAME (Print or Type) \_\_\_\_\_

TITLE \_\_\_\_\_ PHONE ( ) \_\_\_\_\_ DATE \_\_\_\_\_

You must remit a non-refundable fee in the amount of \$250 FOR EACH WELL for which you wish to be designated as the operator. (Make any check or money order payable to Railroad Commission of Texas. For information on use of credit cards, contact the Commission.)

**MAIL THIS FORM, ATTACHMENTS,  
AND FEE(S) TO:**

Commission Cashier  
Railroad Commission of Texas  
P. O. Box 12967  
Austin, Texas 78711-2967

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**-RRC USE ONLY-**

REGISTER No. \_\_\_\_\_

GL # \_\_\_\_\_

Amount \_\_\_\_\_ Remit Type \_\_\_\_\_

**- R R C U S E O N L Y -**

**RAILROAD COMMISSION OF TEXAS  
CERTIFICATE OF DESIGNATION AS OPERATOR OF ORPHANED OIL OR GAS  
WELLS**

The above-named operator has complied with the requirements of Section 89.047, Texas Nat. Res. Code, relating to the Orphaned Well Reduction Program, and is hereby designated as the operator of the above-listed well(s) for the purposes of that section.

APPROVED BY: \_\_\_\_\_ DATE: \_\_\_\_\_

NOTE: It is the operator's responsibility to submit to the Comptroller of Public Accounts any information required to apply for the exemptions from severance tax and Oil Field Cleanup Regulatory fees on production from this well(s) authorized by §89.047, Tex. Nat. Res. Code.

**INSTRUCTIONS**  
**FORM OW-2**  
**APPLICATION FOR CERTIFICATE OF DESIGNATION AS OPERATOR OF ORPHANED OIL OR GAS WELLS**  
EFF. 04-2006

**ORPHANED WELL REDUCTION PROGRAM:** Section 89.047, Texas Natural Resources Code, relating to Orphaned Well Reduction Program, establishes procedures, requirements, and incentives for a person to assume operatorship and regulatory responsibility for an orphaned oil or gas well. A person who is considering assumption of operatorship and regulatory responsibility for an orphaned oil or gas well(s) must submit this form in order to be designated the operator of an orphaned well under that program. Please complete one form for each lease.

**WHAT TO FILE:** If you wish to be designated as the operator of an orphaned oil or gas well(s) under this program, you must file:

- (1) a completed FORM OW-2, APPLICATION FOR CERTIFICATE OF DESIGNATION AS OPERATOR OF ORPHANED OIL OR GAS WELLS;
- (2) FORM P-4, Producer's Transportation Authority and Certificate of Compliance, in accordance with 16 TAC §3.58 (Statewide Rule 58);
- (3) if you are not requesting designation as the operator of all wells on a lease, FORM P-6, Request for Permission to Consolidate/Subdivide Leases, along with a before and after plat and all required attachments;
- (4) a factually supported claim based on a recognized legal theory to a continuing possessory right in the mineral estate accessed by the well, such as evidence of a current oil or gas lease or a recorded deed conveying a fee interest in the mineral estate; and
- (6) a non-refundable fee in the amount of \$250 FOR EACH WELL for which you wish to be designated as the operator.

**PREREQUISITES:** If you wish to be designated as the operator of an orphaned oil or gas well(s) under this program, you must:

- (1) have on file with the Commission sufficient financial security in accordance with 16 TAC §3.78 (Rule 78) to cover the well or wells for which you wish to be designated as operator; and
- (2) be an operator in good standing (an operator who: (a) has a Commission-approved organization report; (b) is the designated operator of at least one well within the Commission's jurisdiction; (c) has filed with the Commission under §91.104, Tex. Nat. Res. Code, a bond, letter of credit, or cash deposit in an amount sufficient to qualify to operate one or more additional wells; and (d) is not the subject of a Commission or court order regarding a violation of a Commission rule with which the operator has not complied or a complaint that has been docketed by the Commission alleging a violation of a Commission rule.)

In addition, if the well is subject to a Commission Final Order requiring plugging, you will not be recognized as the operator unless the Commission first conducts a hearing and enters a superceding order.

**WHERE TO FILE:** File this form, the attachments and \$250 for each well to Commission Cashier, Railroad Commission of Texas, P. O. Box 12967, Austin, Texas 78711-2967P-5 Section, Oil and Gas Division, Railroad Commission of Texas, P. O. Box 12967, Austin, Texas, 78711-2967. Make any check or money order payable to the Railroad Commission of Texas. For information on credit card or pre-paid accounts, contact the Commission.

If the wells have not already been nominated or transferred to another operator, the operator applying for a certificate of designation as operator of the well is an operator in good standing in accordance with §89.047, Tex. Nat. Res. Code, the operator submits the required attachments and fees, and the operator has sufficient financial security in accordance with Rule 78 to cover the wells, the Commission will issue a CERTIFICATE OF DESIGNATION AS OPERATOR OF ORPHANED OIL OR GAS WELLS to the person who is designated by the Commission under §89.047, Texas Natural Resources Code, as the operator of orphaned wells.

**BENEFITS OF DESIGNATION AS OPERATOR OF ORPHANED WELL  
FROM JANUARY 1, 2006, THROUGH DECEMBER 31 2007:**

A person designated as the operator of an orphaned well on or after January 1, 2006, and not later than December 31, 2007, is entitled to receive:

**(1) A NONTRANSFERABLE PAYMENT FROM THE COMMISSION** in an amount equal to the depth of the well multiplied by \$0.50 for each foot of well depth if, not later than the third anniversary of the date the Commission designates the person as the operator of the well, the person brings the well back into continuous active operation or plugs the well in accordance with Commission rules. **LIMITS ON PAYMENTS:** Please note that the Commission must make payments to operators annually in the same order the Commission determines the operators to be entitled to the payments. The aggregate amount of payments in any state fiscal year (September 1 through August 31) may not exceed \$500,000. An operator may not receive more than one payment under the Orphaned Well Reduction Program for the same well; or cumulative payments in an amount that exceeds the total amount of financial security the operator has filed with the Commission under 16 TAC 3.78 (Statewide Rule 78).

**(2) A NONTRANSFERABLE EXEMPTION FROM THE OIL FIELD CLEANUP REGULATORY FEES** provided by §§81.116 and 81.117 for all future production from the well.

**(3) A NONTRANSFERABLE EXEMPTION FROM SEVERANCE TAXES** for all future production from the well as provided by §202.060, Tax Code. A well is considered to be in continuous active operation for purposes of Subsection (h)(3) if: (1) the well is a producing well and the well has produced at least 10 barrels of oil or 100 mcf of gas per month for at least three consecutive months as shown in the records of the Commission and as authorized by a permit issued by the Commission; or (2) the well is a service well and the well has been used for the disposal or injection of oil and gas wastes or another purpose related to the production of oil or gas for at least three consecutive months as shown in Commission records and as authorized by a permit issued by the Commission.

**REQUIREMENTS TO QUALIFY FOR TAX EXEMPTION:** Under §202.060, Texas Tax Code, relating to Exemption for Oil and Gas From Reactivated Orphaned Wells, the hydrocarbons produced from the well identified in the certificate qualify for a severance tax exemption. In order to qualify for this tax exemption, the person responsible for paying the tax must apply to the Texas Comptroller of Public Accounts (Comptroller). The application must include a copy of the certificate issued by the Railroad Commission. The Comptroller may require a person applying for the tax exemption to provide any relevant information necessary to administer this section. The Comptroller may establish procedures to comply with this section. The exemption takes effect on the first day of the month following the month in which the Comptroller approves the application. The exemption is non-transferable. If the person to whom this certificate is issued ceases to be the operator of the well as shown by Commission records, the Commission will notify the Comptroller. The exemption expires on the date the Comptroller receives the notice. A person who makes or subscribes an application, report, or other document and submits it to the Commission to form the basis for an application for a tax exemption under this section, knowing that the application, report, or other document is untrue in a material fact, is subject to the penalties imposed by Chapters 85 and 91 of the Texas Natural Resources Code. A person is liable to the state for a civil penalty if the person applies or attempts to apply the tax exemption authorized by this section for a well after the person to whom the certificate for the well was issued ceases to be the operator of the well as shown by Commission records.