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CHECKLIST for PERMIT to DRILL APPLICATIONS [A.A.C. R12-7-104]

- NOTE 1:** All applicants are required to attend a Pre-Application Conference with the Administrator before applying for a permit to drill from the Arizona Oil and Gas Conservation Commission.
- NOTE 2:** Operators drilling on Arizona State Trust land should first obtain approval from the Arizona State Land Department for an Energy Mineral Surface Drilling Plan before applying for a permit to drill from the Arizona Oil and Gas Conservation Commission (AOGCC).

- Use Form 3 – Application for Permit to Drill or Re-Enter.**
- **One hard copy**
 - **One electronic copy**

In addition, all of the following attachments are required as part of a complete application submittal:

- A justification for what commodity(s) are being targeted (oil, gas, helium, CO₂, geothermal, other)
- Form 1 – Organization Report (a copy must be provided with every drilling application)
- A Performance Bond (Form 2) must accompany each application, not separately; or include a statement that the bond applies to a previously submitted blanket bond
 - In accordance with R12-7-104(B), a Performance Bond must be in the form of a:
 - Certified check; or
 - Surety bond, executed by the operator as principal and a corporate surety, authorized to do business in Arizona; or
 - Certificate of deposit at a federally insured bank, authorized to do business in Arizona.
- Permit fee (\$25), payable to Arizona Oil and Gas Conservation Commission, must accompany the application, not separately
- The well and well-site construction plan must include all of the elements described in R12-7-108 through 118:
 - Pit for drilling mud and drill cuttings
 - Surface casing requirements
 - Intermediate and production casing and tubing requirements
 - Defective casing or cementing
 - Blowout prevention and related well-control equipment
 - Recovery of casing
 - Deviation of hole and directional drilling
 - Multiple zone completions
 - Artificial stimulation of oil and gas wells
 - Operations in hydrogen sulfide environments
 - Wellbore schematic
 - A description of the geologic unit(s) targeted for testing

PERMIT APPLICATION CHECKLIST, cont'd

- Topographic location map showing location of proposed well and all nearby wells
- Survey plat (page 2 of Form 3)
 - ___ Licensed surveyor & certificate no.
 - ___ Legal subdivision or acreage
 - ___ Exact well location: Latitude/ Longitude, either as a six-place decimal or D-M-S to a two-place decimal; *cadastral alone is unacceptable*
 - ___ Locate and identify the proposed well and all nearby wells in the section
 - ___ Elevation of proposed location

ADDITIONAL INFORMATION FOR CERTAIN DRILLING APPLICATIONS

- For well spacing exceptions (A.A.C. R12-7-107(E)), the applicant shall submit the following:
 - ___ Written summary justifying the well spacing exception request
 - ___ Geological and/ or geophysical data (seismic data, geologic cross-sections, one or more structure maps, isopach maps and other relevant geologic maps) of the area to be drilled
 - ___ A plat prepared and certified by a registered surveyor bearing the surveyor's certificate number showing all other completed, drilling, and permitted wells on the property and all adjoining surrounding properties and wells.
 - ___ Be sure to relate all well locations to the various maps and cross sections. The operator should include any other data that helps justify the need for the AOGCC to grant the exception to well spacing required by A.A.C. R12-7-107(E).
 - ___ Provide evidence that all contiguous lessee and mineral owners, if any, were notified of the well spacing exceptions. The rule requires that the applicant "provides by certified mail a copy of the application to all adjoining lessees" (A.A.C. R12-7-107(E)(2))
 - ___ One paper copy and one electronic copy of the complete application to drill (including all of the additional information described above) to the Oil and Gas Program Administrator. NOTE: The Administrator will not process the application until both copies are received.

NOTE: A Public Hearing before the Arizona Oil and Gas Conservation Commission, with a short public notice period, is required. The operator making the application shall appear before the Commission and make a presentation.

PERMIT APPLICATION CHECKLIST, cont'd

- For multiple zone completions (A.A.C. R12-7-116), applicants shall demonstrate the method to be used to keep the production streams separate. The application shall be accompanied by:
 - A demonstration that the method to be used will keep the production streams separate.
 - An electrical log or other acceptable log with tops and bottoms of formations or producing zones and perforated intervals shown and marked.
 - A diagrammatic sketch of the multiple completion installation indicating make, type, and setting depths of packer or packers;
 - A plat showing the location of the well and all offset wells and the names and addresses of operators of all leases offsetting acreage dedicated to applicant's well; and
 - Proof of mailing of application for multiple completion to all offset operators. If there are no offset wells and operators, include a statement to that effect in the application.

NOTE: Applications for multiple zone completions require a 15-day holding period. A Hearing before the Arizona Oil and Gas Conservation Commission shall be called if a protest is received.

EXCERPT FROM RULES TO ACCOMPANY CHECKLIST

R12-7-107. Spacing of Wells

- A.** Every well drilled for oil shall be located on a drilling unit consisting of approximately 80 contiguous surface acres within two governmental quarter-quarter sections or lots having one side in common, upon which there is not located, and of which no part is attributed to, any other well completed in or drilling to, the same pool.
1. In areas not covered by United States Public Land Surveys, the oil drilling unit shall consist of an area bounded by four sides intersecting at angles of not less than 85 degrees or more than 95 degrees. The unit shall contain at least 76 contiguous surface acres and its maximum dimension shall not exceed 3,000 feet.
 2. No well drilled for oil shall be located closer than 330 feet to any boundary of the drilling unit or closer than 330 feet to the shortest center line of the drilling unit.
 3. No well drilled for oil shall be located within a quarter-quarter section or lot having one side in common with another quarter-quarter section or lot upon which there is located a well completed in or drilling to the same pool.
- B.** Every well drilled for gas shall be located on a drilling unit consisting of approximately 640 but not less than 600 contiguous surface acres within one governmental section upon which there is not located, and of which no part is attributed to, any other well completed in or drilling to the same pool.
1. In areas not covered by United States Public Land Surveys, the gas drilling unit shall consist of an area bounded by four sides intersecting at angles of not less than 85 degrees or more than 95 degrees. The unit shall contain at least 600 contiguous surface acres and its maximum dimension shall not exceed 8,500 feet.
 2. No well drilled for gas shall be located closer than 1,660 feet from any boundary of the drilling unit.
- C.** Every well drilled for geothermal resources shall be located on a drilling unit approved or as modified by the Commission. The Commission may require modification to minimize well interference and provide the necessary volume of geothermal resources for the intended use, to protect correlative rights, and to protect the environment.
- D.** If the operator drills a horizontal segment, that horizontal segment shall be located:
1. At least 330 feet from the boundary of the spacing unit in the case of an oil well;
 2. At least 1,660 feet from the boundary of the spacing unit in the case of a gas well; and
 3. As approved or modified by the Commission in the case of a geothermal well.
- E.** The Commission may grant exceptions to the regular locations specified in subsections (A), (B), and (C) only after notice and hearing.
1. Applications for exception shall fully state the reasons why the exception is necessary and shall include a plat prepared and certified by a registered surveyor bearing the surveyor's certificate number showing all other completed, drilling, and permitted wells on the property and all adjoining surrounding properties and wells.
 2. Exceptions shall be granted only after the operator provides by certified mail a copy of the application to all adjoining lessees, and only after the Commission determines in a duly noted public hearing that the application is valid.
 3. The Commission may grant an exception location without notice or hearing when topography prohibits drilling at a regular location on the drilling unit.
 4. If an existing well's classification changes due to its recompletion or due to a change in the nature of the product being produced, the Commission may approve an irregular location application with supporting data and ten days' notice and hearing, provided that the operator furnish the Commission with proof of mailing of a copy of the application to all operators within a one-mile radius of the acreage to be dedicated.
- F.** In order to prevent waste, the Commission may, after notice and hearing, fix different spacing requirements and require lesser or greater acreage for drilling units in any specific oil, gas, or geothermal resource pool notwithstanding the provisions of subsections (A), (B), and (C).
- G.** The Commission may order pooling and integration of interests pursuant to A.R.S. §§ 27-505 and 27-666.