Unit, PSA or Allocation Well?

Three ways one horizontal well can cross two leases, and why the royalty decimal and the title file change with each.

The three kinds of well

Well	How the tracts are treated	How a royalty owner is paid
Pooled unit	Leases with pooling authority are combined by a recorded designation of unit	On the tract's share of the unit: tract acres / unit acres
PSA well	No pooling; owners sign a production sharing agreement. The Railroad Commission looks for at least 65% of the owners signed before it permits one	As the agreement provides
Allocation well	No pooling and no agreement; production is allocated to each lease	Commonly by perforated lateral length in each tract

In 2023 the Austin Court of Appeals, in *Railroad Commission v. Opiela*, treated a PSA well as not pooling, so an anti-pooling clause did not by itself stop it. This area of Texas law is still developing.

Worked example

Lease A and Lease B, 320 acres each, both at a 1/4 royalty. Smith owns all the minerals in Lease A. One horizontal well, 10,000 perforated feet, 6,000 of them on Lease A.

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Pooled unit: 1 x 1/4 x 320/640 = 0.12500000
Allocation well: 1 x 1/4 x 6,000/10,000 = 0.15000000
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Same well, same royalty, a different decimal.

What I need in the file

☐ Unit: the recorded designation of unit, and every lease's pooling authority (acreage and depth limits)
☐ PSA: the agreement and the list of who signed it
☐ Allocation well: the allocation method and the lateral footage in each tract, from the operator and the RRC plats
☐ Held by production: does the well actually produce from this tract, and does the lease say anything about allocation wells?

I lay out the record. The attorney makes the call.

Sources: Railroad Commission v. Opiela (Tex. App. Austin 2023); Railroad Commission of Texas permitting practice for PSA wells. Example names and numbers are for illustration. General education only, not legal, tax or financial advice. I am not an attorney; talk to a licensed attorney in your state about your situation.