

OIL & NATURAL GAS TERMINOLOGY

There are many terms that are synonymous with the oil and gas industry.

ABANDON: To discontinue attempts to produce oil or gas from a well or lease and to plug the reservoir in accordance with regulatory requirements and recover equipment.

ACIDIZE: Increase the flow of oil from a well by introducing acid into a limestone formation to open passages through which oil can flow into the well bore.

ACQUISITION WELL: A well drilled in exchange for a mineral interest in a property. It is also referred to as an obligation well.

ACRE-FOOT: A reservoir analysis measure of volume. One acre foot represents the volume which would cover one acre to a depth of one foot.

ADVANCED ROYALTY: An advance payment made by the owner of an operating interest to the royalty owner for a specific number of units of minerals regardless of whether oil or gas was extracted within the year. The payment is recoverable out of future production.

AFE: Authorization for expenditures. It is a form used during the planning process for a well about to be drilled. It can also be used for other projects. The form includes an estimate of costs to be incurred in the intangible drilling costs (IDC) category and in the tangible equipment category. Costs are shown in total with accompanying breakdowns. The form represents a budget for the project against which actual expenditures are compared.

AIR DRILLING: The use of compressed air as a substitute for drilling mud in rotary drilling.

AIR/GAS LIFT: Method of raising oil from the formation by injecting air or gas directly into the fluid in the casing.

ALLOWABLE: The regulated amount of oil or gas that a well or lease can produce during a given time period.

ANTICLINES: Underground mountain-shaped strata covered with caprock or an impervious layer.

API: Abbreviation for American Petroleum Institute, established in 1920.

API GRAVITY: Liquid petroleum product measure of gravity of the product. Derived from a formula using specific gravity.

APPORTIONMENT ACCOUNTS: Accounts used to accumulate expenses during a period, with the accounts being credited for amounts charged to activities on some predetermined basis.

ASSOCIATED GAS: Natural gas, occurring in the form of a gas cap, overlying an oil zone.

BAFFLES: A device which changes the direction of flow of fluids.

BARREL (BBL): A standard measure of volume for crude oil and liquid petroleum products. One barrel equals 42 U.S. gallons.

BATTERY: Group of lease storage tanks.

BEAM: The horizontal portion of an "I" beam pumping unit.

BEAM WELL: A well from which oil is lifted by using a pumping unit and sucker rods and pump.

BLOWOUT: Strong flow of oil or gas, uncontrolled, from a reservoir to the surface and into the atmosphere.

BOILERHOUSE: A slang term. "Fake" a report without having performed any work.

BONUS: The consideration received by the lessor or sublessor on execution of the oil or gas lease.

BOTTOM HOLE CONTRIBUTIONS: Money or property given to an operator for their use in drilling a well on property in which the payor has no property interest. The contribution is payable when the well reaches a predetermined depth, regardless of whether the well is productive or nonproductive. Usually, the payor receives geological data from the well.

BOTTOM HOLE PRESSURE: The pressure at the bottom of a well in the producing formation.

BRITISH THERMAL UNIT (BTU): A measure of the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit.

BS OR BS&W: An abbreviation for basic sediment, or basic sediment and water. BS&W is produced along with oil.

CARRIED INTEREST: A sharing arrangement in which one party agrees to pay the cost incurred on behalf of another which is the carried party. After production begins, the carried party receives no income until the carrying party has recouped all of their costs incurred on behalf of the carried party.

CARRIED PARTY: The party for whom funds are advanced in a carried interest arrangement.

CARRYING PARTY: The party advancing funds in a carrying interest arrangement.

CARVED-OUT INTEREST: An interest that occurs when the owner of a working interest assigns it to another as an overriding royalty, net profits interest, or production payment.

CARVED-OUT OIL OR GAS PAYMENT: A payment in oil or gas assigned by the owner of a working interest or fee interest. The payment is expressed in dollars, in barrels, in MCF, or as a period of time, to be paid out of a fractional part of the fee interest or working interest. The payment will run for a period shorter than the life of the interest from which it was carved.

CASINGHEAD GAS: Gas produced along with crude oil from oil wells.

CASING PRESSURE: Gas pressure in a well that is built up between the casing and tubing or casing and drill pipe.

CATHEAD: A spool shaped device attached to a winch around which rope is wound for hoisting and pulling.

CATLINE: A hoisting or pulling line powered by a cathead; lifts equipment around the rig.

CAT WALK: The narrow walkway on a drilling rig or on top of a tank battery.

CELLAR: An excavation under the rig floor to provide space for working equipment during drilling.

CENTRIFUGE: Machine in which samples of oil are placed and whirled at high speed to break out sediment.

CHECKERBOARD ACREAGE: Mineral interests situated in a checkerboard pattern. Generally, this is done to spread the risk or to make sure the producer will have some ownership if production is found.

CHRISTMAS TREE: A term applied to the valves and fittings assembled at the top of a well to control the flow of oil.

CLEAN OUT COSTS: Costs incurred to clean out a well to maintain its productive capacity or to restore it to original capacity. For example, the cost of removing sand and tubing or opening the pores in the producing formations.

CLEARING ACCOUNTS: Accounts used to accumulate expenses during a period, with the balance allocated to other accounts on some predetermined basis at the end of the period. (See also APPORTIONMENT ACCOUNTS.)

COMPLETION: Refers to the work performed and the installation of permanent equipment for the production of oil or gas from a recently drilled well.

CONDENSATE: A light hydrocarbon liquid which is in a gaseous state in the reservoir but which becomes liquid at the surface.

CONNATE WATER: Water originally in the producing formation.

CONTINUING INTEREST: Any interest in mineral property that lasts for the entire period of the lease contract with which it is associated.

CONVEYANCE: The assignment or transfer of mineral rights to another person.

COST CEILING: The limit placed on the "carrying value" of mineral assets in the cost center.

COST CENTER: The geological, geographical, or legal unit with which costs and revenues are identified and accumulated. Examples are the lease, the field country, etc.

CROSS SECTION MAPPING: Maps of cross-section of underground formation.

CRUDE OIL: Liquid petroleum after being produced but before being refined.

DAILY DRILLING REPORT: Twenty-four hourly report indicating all important events which occurred on a drilling rig.

DAMAGE PAYMENTS: Payments made to the landowner by the oil or gas operator for damages to the surface, to the growing crops, to streams, or to other assets of the landowner.

DAY RATE CONTRACT: An agreement between a drilling rig contractor and an operator wherein an agreed amount of money per day will be paid to the drilling contractor until a well is drilled to an agreed upon depth.

DEFERRED BONUS: A lease bonus payable in installments over a period of years. The deferred bonus is distinguishable from delay rentals because the deferred bonus payments are due even if the lease is dropped, whereas delay rentals are discontinued with the dropping of the lease. It is also known as an "Installment Bonus."

DELAY RENTALS: These are amounts paid to the lessor for the privilege of deferring the commencement of a well on the lease. Oil and gas lease agreements generally provide a deadline for the lessee to begin drilling of the lease. If the drilling has not begun within this period of time, either the lease agreement will expire or the lessee must pay a stated sum of money to retain the lease an additional year without developing the property.

DELINEATION WELL: A well to define, or delineate, the boundaries of the reservoir.

DEPLETION: Amortization of capitalized costs of a mineral property. The deduction is based upon minerals produced. For federal income tax purposes, depletion may be based on the amount of gross income from the property.

DETAILED SURVEY: An intensive geological and geophysical exploration of an area of interest.

DEVELOPMENT WELL: A well drilled within the proved area of an oil or gas reservoir to the depth of a horizon known to be productive.

DEVIATED WELL: A well drilled at an angle from the vertical.

DIRECTIONAL DRILLING: Intentionally drilling a well at an angle from the vertical.

DISPOSAL WELL: A well through which salt water is pumped to subsurface reservoirs.

DISSOLVED GAS: Natural gas mixed with crude oil in a producing formation.

DIVISION ORDER: A document that describes the economic interest owners of a property and the types of interest owned. It is used by the purchaser as the basis for paying each economic interest owner their share of revenue.

DOGHOUSE: A small house on the rig floor used for keeping records, storage, etc.

DOUBLE: Two lengths or joints of drill or other pipe joined together.

DRY GAS: Natural gas composed of vapors without liquids and which tends not to liquefy.

DRY HOLE: An exploratory or development well that does not produce oil or gas in commercial quantities.

DRY HOLE CONTRIBUTIONS: Money or property paid by adjoining property owners to another operator drilling a well on property in which the payors have no property interest. Such contributions are payable only in the event the well reaches an agreed depth and is found to be dry.

ECONOMIC INTEREST: An economic interest is possessed in every case in which the taxpayer has acquired by investment any interest in mineral in place and secures, by any form of legal relationship, income derived from the extraction of the mineral to which one must look for a return on the capital.

ENHANCED RECOVERY: Any methods used to extract oil from reservoirs in excess of that which may be produced through primary recovery.

EXPLOITATION ENGINEERING: Engineering related to subsurface geology, the recovery of fluids from reservoirs, and the drilling and development of oil reserves.

EXPLORATION COSTS: Costs incurred in identifying areas that may warrant examination, and in examining specific areas, including drilling exploratory wells and exploratory stratigraphic type test wells.

EXPLORATION RIGHTS: Permission granted by landowners allowing others to enter upon their property for the purposes of conducting geological and geophysical surveys.

EXPLORATORY WELL: All wells drilled to search for or produce oil or gas except the cost of development wells and development type stratigraphic test wells drilled to gain access to proved reserves.

FARM-IN: An agreement in which a person agrees to drill one or more wells in exchange for receiving a working interest from the person holding the lease.

FARMOUT: An agreement in which the person holding a lease assigns a working interest in the property to another in exchange for drilling one or more wells.

FAULTS: The breaks in strata resulting from significant moving or shifting of the earth's surface.

FEE INTEREST: Ownership of both mineral and surface rights on a tract of land. Also called fee simple.

FIELD: An area consisting of a reservoir or multiple reservoirs related to the same geological structural feature. Reservoirs in overlapping or adjacent fields may be treated as a single operational field.

FIELD EXPLORATORY WELL: A well drilled in an area where there was previous production, but outside the limits of the known reserves. It is also known as a delineation well.

FIELD FACILITY: Oil and gas production equipment serving more than one lease. For example, separator, extraction unit, etc.

FIELD PROCESSING: Treating oil or gas before it is delivered to a gas plant or refinery.

FIRE WALL: An earthen dike built around an oil tank to contain the petroleum if the tank ruptures.

FLOW CHART: A record of the production of gas measured by a meter.

FLOWING WELL: A well which lifts oil and gas to the surface with natural reservoir pressure.

FLOW LINES: The surface pipes through which oil moves from the well to the lease tank.

FLOW TANK: The tank into which oil is stored after being produced.

FLOW TREATER: A piece of equipment which separates oil and gas, heats oil, and treats oil and water.

FLUID INJECTION: Inducing gas or liquid into a reservoir to move oil toward the well bore.

FLUSH PRODUCTION: The large flow of production initially made by a well after being drilled.

FOOTAGE DRILLING CONTRACT: A well drilling contract which provides for payment at a specified price per foot for drilling to a certain depth.

FORMATION PRESSURE: Bottom hole pressure of a shut-in well.

FRACTURING: A procedure to stimulate production by forcing under high pressure a mixture of oil and sand into the formation.

FREE WELL AGREEMENT: A form of sharing arrangement in which one party drills one or more wells completely free of cost to a second party in return for one type of economic interest in property.

FULL COSTING: A concept under which all costs incurred in searching for, acquiring, and developing oil and gas reserves are capitalized.

GEOLOGICAL and GEOPHYSICAL (G & G): Surveys of a topographical, geological, and geophysical nature along with other costs incurred to obtain the rights to make these surveys, and salaries and other expenses of the personnel required to carry out the surveys are often referred to as "G & G" costs.

GAS OIL RATIO: A measure of the volume of gas produced along with oil from the same well.

GAS INJECTION: Gas is injected into a formation to maintain pressure or for secondary recovery. Reproduced injected gas cannot usually be distinguished from the original formation gas.

GAS LIFT GAS: Gas injected into the well bore to lift the oil to surface. Gas lift gas, unlike injected gas, returns immediately to the mouth of the well without entering the reservoir. Normally, the sales price for recovered gas lift gas is lower.

GAS PAYMENT: A production payment payable out of gas produced.

GAS PLANT PRODUCTS: Natural gas liquids removed from natural gas in gas processing plants or in field facilities.

GAS WELL: A well producing natural gas.

GATHERING LINES: A small pipeline which moves the oil from several wells into a single tank battery or major pipeline.

GAUGE TICKET: A form on which the measurement of oil in lease tanks is recorded.

GRAVITY: A standard American Petroleum Industry (API) scale which is related to specific gravity of a petroleum fluid based on a technical formula. On this scale the greater the density of the petroleum, the lower the API degree. The higher the API gravity, the greater the value of the oil.

GRAVITY METER: An instrument measuring the variations in the gravitational pull.

HORIZON: An underground geological formation which is the portion of the larger formation which has sufficient porosity and permeability to constitute a reservoir.

HORIZONTAL ASSIGNMENT: An assignment of an interest in the minerals above or below or between specified depths, or in a given stratum or horizon.

HYDROCARBON: An organic compound of hydrogen and carbon.

INDEPENDENT PRODUCER: It is defined in IRC section 613A(d) as a producer who does not have more than \$5 million in retail sales of oil or gas in a year and who does not refine more than 50,000 barrels of crude on any day during the year. An exemption from the denial of percentage depletion is provided in IRC section 613A(a) for independent producers if production is within the limits of the average daily production of oil and gas set in IRC section 613A(c).

INTANGIBLE DRILLING COSTS (IDC): Any cost which in itself has no salvage value and is necessary for and incident to the drilling of wells and getting them ready for production. IDC can also occur when deepening or plugging back a previously drilled oil or gas well, or an abandoned well, to a different formation.

IGNEOUS ROCK: Rock that is formed directly from the molten state.

INJECTION OR INPUT WELLS: A well used to inject gas, water, or liquid petroleum gas (LPG) under high pressure into a producing formation to maintain sufficient pressure to produce the recoverable reserves.

IN SITU COMBUSTION: The setting afire of some oil in the reservoir to create a burning front of gases which will drive oil ahead of it to the well bore.

ISOPACH MAPS: Maps showing variations in the thickness of a particular sedimentary bed and also can show the interval or spacing between one bed and another.

JOINT: A single length of drill pipe, casing, etc. usually from 20 to 30 feet in length.

JOINT INTEREST AUDIT: An audit performed by or on behalf of the non-operator working interest owners to determine if the operator is conforming to the provisions of the operating agreement and accepted accounting procedures.

JOINT INTEREST or JOINT VENTURE: An association of two or more persons or companies to drill, develop, and operate jointly properties. Each owner has an undivided interest in the properties.

KILL A WELL: To bring high well pressure under control by the use of mud or water so that the well may be completed, etc.

LACT UNIT (LEASE AUTOMATIC CUSTODY TRANSFER UNIT): A unit which is used to account for purchases of oil. The LACT unit automatically transfers the oil, records the information, and prepares the run ticket.

LANDMAN: A person experienced in mineral leasing activities.

LEASE AGREEMENT: An agreement between two or more parties by which a lessee is given the right to enter a property, survey and locate a well site, perform drilling operations, and remove any minerals found.

LEASE BONUS: The consideration paid by the lessee to the lessor for executing the lease.

LEASE AND WELL EQUIPMENT: Capital investment in items of equipment having a potential salvage value and used in a well or on a lease. Such items include the cost of casing, tubing, well head assemblies, pumping units, lease tanks, treaters, and separators.

LESSEE: The person who leases the mineral rights from the owner in order to drill and operate wells.

LESSOR: The person who owns the mineral rights and has executed a lease.

LIFTING COST: All customary expenses incurred in connection with the production and marketing of oil and gas.

LOCATION: The site for a well to be drilled or at which a well has been drilled.

LOGGING: The taking and recording of physical measurements about formations being drilled.

MARGINAL WELL: A well whose production is so limited that it is no longer profitable to operate.

MCF: Thousands of cubic feet of natural gas.

METAMORPHIC ROCKS: Rocks developed as a result of being subjected to heat and pressure.

MINIMUM ROYALTY: An obligation of a lessee to periodically pay the lessor a fixed sum of money after production occurs, regardless of the amount of production. Such minimum royalty may or may not be chargeable against the royalty owner's share of future production.

MISCIBLE FLUID: A secondary recovery process which involves the injection of a mixture of hydrocarbons which displaces fluid.

MMCF: Millions of cubic feet of natural gas.

MOBILE DRILLING RIG: A drilling rig used offshore. It floats from one drill site to another. Drill ships, jack-ups, and semi-submersibles are mobile rigs.

MUD: Drilling fluid circulated through the drill pipe and back to the surface during rotary drilling and workovers.

MULTIPLE COMPLETION WELL: A well producing oil and/or gas from more than one reservoir.

NATURAL GAS: Hydrocarbons that exist in the gaseous phase under certain atmospheric and temperature conditions.

NATURAL GAS LIQUIDS: Hydrocarbons which can be extracted from natural gas.

NET PROFITS INTEREST: This is an interest carved out of the working interest. It is a nonoperating interest that shares in the net profits, if any, but has no liability for capital investments or losses.

NEW FIELD WILDCAT: A well drilled in an area where previously there had been no production of oil or gas.

NONASSOCIATED GAS: Natural gas not in contact with reservoirs that contain significant quantities of crude oil.

NONCONTINUING INTEREST: An interest in a mineral property whose life is limited in terms of dollars, units of production, or time.

NONOPERATING INTEREST: An interest in an oil or gas property that bears no costs of development or operation, such as the landowner's royalty interest.

NONOPERATING WORKING INTEREST: A working interest owner that does not participate in the day-to-day operations of developing and operating a mineral interest.

OFFSET: Drilling a well adjacent to another.

OFFSET WELL: Well drilled on one tract of land to prevent drainage of oil or gas to a nearby tract on which a well has been drilled.

OIL PAYMENT: A production payment payable out of oil produced.

OIL POOL: An underground reservoir containing oil in the sedimentary rocks.

OIL SAND: Any porous reservoir containing oil.

OIL SEEP: Areas where tiny amounts of petroleum have migrated to the surface.

OIL WELL: A well that is being pumped because it will not flow.

OPERATOR: One who holds the working or operating rights and is obligated for the costs of development and production, either as a fee owner or as an assignee.

OPERATING WORKING INTEREST: A working interest owner who participates in the day-to-day operations of developing and operating the mineral interest.

OPERATING INTEREST: See Working Interest.

OUTPOST WELL: A well drilled in an attempt to make a long extension of a producing pool; a well located outside the established reservoir boundaries.

OVERRIDING ROYALTY INTEREST: This is an interest carved out of the working interest which does not require the owner to bear a share of the developing or operating cost. It exists only for a stipulated time, but never longer than the life of the working interest. It is a nonoperating interest.

PERCENTAGE DEPLETION: A deduction for federal income tax purposes based on the gross income from mineral properties. Percentage depletion is in lieu of cost depletion. It is also known as "Statutory Depletion."

PERFORATE: To penetrate the well casing with holes made with a perforating gun.

PERMEABILITY: The porosity of a given formation providing oil with the ability to flow.

PIG: A scraping instrument for cleaning a pipeline.

PLUG BACK: To seal off a lower formation in a well bore in order to produce from a higher formation.

POOL: An underground reservoir having a common accumulation of oil or gas.

POROSITY: The condition of a formation which permits oil to flow.

POSTED PRICE: The price published and circulated between buyers and sellers in a particular field.

PRESSURE MAINTENANCE: Injection of gas, water, etc. to repressure an oil field.

PRESSURE REGULATOR: An instrument for maintaining pressure in a pipeline; downstream from the valve.

PRICE BULLETIN: A posting of the price per barrel the purchaser will pay for each grade of crude oil in a field.

PRIMARY RECOVERY: Oil which is forced into the well bore by natural reservoir pressure.

PRIMARY TERM: The maximum period of time allowed by a lease for the lessee to commence drilling a well. Drilling cannot be deferred beyond the primary term, even by the payment of delay rentals.

PRODUCE: For purposes of IRC section 263A, it includes construct, build, install, develop, manufacture, improve, create, raise or grow.

PRODUCER: A generic term used to refer to all economic interest holders in a property.

PRODUCTION PAYMENT: A right to minerals in place which entitles its owner to a specific fraction of production for a limited period of time, or until a specific sum of money or a specific number of units of mineral has been received.

PRODUCTION TAXES: Taxes levied by state governments on mineral production based upon the value and/or quantity of production. They are also known as severance taxes.

PRODUCTIVITY TEST: A test of the maximum or other rates at which a well can produce.

PROJECT AREA: A large territory that the taxpayer determines can be explored advantageously in a single integrated operation.

PROPERTY: Each separate interest owned by a taxpayer in each mineral deposit in each separate tract or parcel of land. Certain interests may be combined to form a property. See IRC section 614 for the "codified" definition of property.

PRORATION: A system of allocating production from a well permitted to be produced during a period of time.

PROSPECT: A lease or a group of leases on which an owner proposes to drill one or more wells.

PROVED DEVELOPED RESERVES: Reserves which can be expected to be recovered through existing wells with existing equipment and operating methods.

PROVED RESERVES: Quantities of reserves that, based on geologic and engineering data, appear with reasonable certainty to be recoverable in the future from known oil and gas reserves under existing economic and operating conditions.

PROVED UNDEVELOPED RESERVES: Reserves which are expected to be recovered from new wells on undrilled proved acreage, or from existing wells where a relatively major expenditure is required for completion.

PROVEN PROPERTIES: A property whose principal value has been demonstrated by exploration, discovery, or development.

PUT ON A PUMP: To install a pump jack or pumping unit, sucker rods, and bottom hole sucker rod jump.

PUT ON A WELL: To begin a well flowing or pumping.

RABBIT: Line cleaning instrument. A small plug which is run through a line.

RECONNAISSANCE SURVEY: A survey of a project area utilizing various geological and geophysical techniques to identify specific geological features with sufficient mineral producing potential to merit further exploration.

RETAINED INTEREST: The interest created when the owner sells the working interest and retains an overriding royalty, a net profits interest, or a production payment. An owner can retain the working interest and sell the others.

REMIT SLIP: Check stub from payee of oil and or gas. It will usually indicate barrels or MCF, gross revenue or net revenue, and the amount actually paid.

ROYALTY INTEREST: An ownership interest that entitles its owner to share in the production from the mineral deposit, free of development and operating costs, and extends undiminished over the productive life of the property. It is a nonoperating interest.

RUN TICKET: A document, prepared by the purchaser's gauger and witnessed by the lease pumper, which records the quantity of oil removed, its gravity, temperature, and impurities (Basic Sediment & Water or BS&W).

SEISMOGRAPH: The instrument used to record the refraction of sound waves.

SERVICE WELL: A well drilled for the purpose of supporting production; for example, a gas injection well or a water injection well.

SPOT PRICE: A short-term price negotiated between the buyer and the seller.

SPUD IN: To start drilling a well.

STEP OUT WELL: A well drilled adjacent to a proved well in an attempt to determine the limits of the reservoir.

STRATIGRAPHIC TEST WELL: A well drilled to obtain information about geologic conditions. This well is common for offshore drilling. Stratigraphic test wells are classified as follows: (1) Exploratory-type stratigraphic test well (a stratigraphic test well not drilled in a proved area) and (2) Development-type stratigraphic test well (a stratigraphic test well drilled in a proved area).

STRIP WELL: To pull both the rods and tubing from a well simultaneously.

STRIPPER: A well nearing the end of its productive life; very little oil is being produced.

STRUCTURAL MAPS: Maps that indicate subsurface features.

SWAB: A device that fits tightly inside the tubing; when pulled through the tubing, it lifts fluid.

SWEET OIL (OR GAS): Oil or gas without sour impurities.

TAKE OR PAY CONTRACTS: An agreement in which a purchaser of gas agrees to take a minimum quantity of gas per year if one is not prevented from doing so by circumstances beyond his or her control and if the gas is available for delivery. If the purchaser does not take the minimum quantity, he or she is required to pay for that minimum quantity at the contract price; normally, one may make up deficiency amounts in future years if he or she purchases in excess of minimum amounts.

TANGIBLE ASSETS: The cost of assets that in themselves have a salvage value.

TANK STRAPPER: The individual who measures a tank and prepares a tank table.

TANK TABLE: A table showing the volume of a tank at various levels based on 1/4 (one-quarter) inch intervals.

TERTIARY RECOVERY: The use of sophisticated techniques such as flooding the reservoir with chemicals to increase the production of oil or gas.

THIEF: A device for extracting oil samples from a tank.

TOP LEASE: A new lease obtained covering a property currently leased before the expiration of the previous lease between the same parties.

TRUNCATION TRAPS: Traps associated with nonconformities or discontinuities in the strata.

TURNKEY WELL: A completed well, drilled and equipped by a contractor for a fixed price.

UNITIZATION: An agreement under which two or more persons owning operating mineral properties agree to have the properties operated on a unified basis and further agree to share in the production from all the properties on a stipulated percentage or fractional basis regardless of from which property the oil or gas is produced. All owners of economic interests in the properties should be involved in the agreement.

VISCOSITY: The ability of a fluid to flow as a result of its physical characteristics.

WATERFLOODING: A method of secondary recovery in which water is injected into an oil reservoir for the purpose of pushing the oil out of the reservoir rock and into the bore of a producing well.

WATER WELL: A well drilled to obtain a supply of water for drilling or operating use.

WELL: A hole drilled in the ground to obtain geological information, find and produce oil or gas, or provide service to the operation of an oil or gas property.

WET GAS: Gas that contains a large quantity of liquids.

WORKING INTEREST: An interest which entitles the owner to share in the production and requires the owner to bear its share of the developing and operating cost. This is also known as an operating interest. The life of the working interest is tied to the lease. If the lease is terminated the working interest associated with the lease terminates.

WORKOVER COSTS: Expenses incurred in cleaning a well in an attempt to increase production.

ZONE: A stratigraphic interval containing one or more reservoirs.