

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 SENATE BILL 284

By: Schulz

4
5
6 AS INTRODUCED

7 An Act relating to oil and gas; amending 52 O.S.
8 2011, Sections 87.6, as last amended by Section 1,
Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section
9 87.6), 87.7, 87.8, as amended by Section 2, Chapter
10 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section 87.8),
and 87.9, which relate to definitions, Corporation
11 Commission jurisdiction, allocation of costs and
proceeds of horizontal wells, and horizontal well
12 prerequisites, size, ownership and development;
amending citation of act; modifying definitions;
13 defining terms; conforming language; updating
statutory references; modifying applicability of act
14 from horizontal well unitization to extended lateral
horizontal unit; extending jurisdiction of the
15 Corporation Commission for certain common source of
supply; extending jurisdiction of the Commission to
16 allow certain wells in certain areas; requiring
allocation of certain costs to certain units;
17 removing requirement that allocation of certain funds
depend on certain wells penetrate within completion
18 level; authorizing Commission to adjust certain items
related to allocation factor of units; modifying
19 applicability of act to targeted reservoirs;
authorizing Commission to create certain units;
20 modifying prerequisites for certain units; modifying
requirements of application for certain wells;
21 modifying accepted size of certain units; authorizing
Commission to authorize certain wells; renaming plan
of development as an application; modifying effective
22 date of certain Commission orders; modifying certain
terms of required owner consent; eliminating ability
23 of certain Commission orders to supersede previous
orders; subjecting certain units to the Royalty
24 Standardization Act; authorizing Commissioners of the
Land Office to consent or participate in certain

1 items; removing requirement of approval of plan of
2 development; and declaring an emergency.

3
4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

5 SECTION 1. AMENDATORY 52 O.S. 2011, Section 87.6, as
6 last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp.
7 2016, Section 87.6), is amended to read as follows:

8 Section 87.6. A. Sections 87.6 through 87.9 of this title
9 shall be known and may be cited as the "~~2011 Shale Reservoir~~
10 Horizontal Well Development Act".

11 B. As used in the ~~2011 Shale Reservoir~~ Horizontal Well
12 Development Act:

13 1. "Allocation factor" means the percentage of costs,
14 production or proceeds allocated to a unit affected by a multiunit
15 horizontal well;

16 2. "Application" means a written request filed by an owner of
17 the right to drill seeking approval to drill, complete and produce a
18 multiunit horizontal well or to create a ~~horizontal well unitization~~
19 an extended lateral horizontal unit;

20 3. "~~Associated common source of supply~~" means a common source
21 ~~of supply which is subject to a drilling and spacing unit formed by~~
22 ~~the Corporation Commission and located in all or a portion of the~~
23 ~~lands in which the completion interval of a multiunit horizontal~~
24 ~~well is located, or which is located within the boundaries of a unit~~

1 ~~created through a horizontal well unitization, and which is~~
2 ~~immediately adjoining the shale common source of supply in which the~~
3 ~~completion interval of the horizontal well is located, and which is~~
4 ~~inadvertently encountered in the drilling of the lateral of such~~
5 ~~horizontal well when such well is drilled out of or exits, whether~~
6 ~~on one or multiple occasions, such shale common source of supply;~~

7 4. "Commission" means the Corporation Commission;

8 ~~5.~~ 4. "Completion interval" means, for an open hole completion
9 in a horizontal well, the interval from the point of entry to the
10 terminus and, for a cased and cemented completion in a horizontal
11 well, the interval from the first perforations to the last
12 perforations;

13 5. "Extended lateral" means a lateral in a horizontal well
14 wherein the horizontal component is equal to, or greater than, seven
15 thousand five hundred (7,500) feet.

16 6. "Horizontal well" means a well drilled, completed, or
17 recompleted with one or more laterals which, for at least one
18 lateral, the horizontal component of the completion interval exceeds
19 the vertical component of the completion interval and the horizontal
20 component extends a minimum of one hundred fifty (150) feet in the
21 formation;

22 7. ~~"Horizontal well unitization~~ Extended lateral horizontal
23 unit" means a ~~unitization~~ unit for a shale targeted reservoir
24 ~~created~~ pursuant to Section 87.9 of this title;

1 8. "Horizontal component" means the calculated horizontal
2 distance from the point of entry to the terminus;

3 9. "Lateral" means the portion of the wellbore of a horizontal
4 well from the point of entry to the terminus;

5 10. "Marmaton common source of supply" means a common source of
6 supply located within Texas and Beaver Counties and designated as
7 the Marmaton by the Commission through rule or order;

8 11. "Multiunit horizontal well" means a horizontal well ~~in a~~
9 ~~targeted reservoir~~ wherein the completion interval of the well is
10 located in more than one unit formed for the same targeted
11 reservoir, with the well being completed in and producing from such
12 targeted reservoir in two or more of such units;

13 12. ~~"Plan of development" means the proposed plan for~~
14 ~~developing the shale reservoir unitized pursuant to Section 87.9 of~~
15 ~~this title, which plan, based upon the information and knowledge~~
16 ~~then available to the applicant, shall include:~~

17 a. ~~a map or maps indicating the location of each existing~~
18 ~~well in the proposed unit and the anticipated location~~
19 ~~of each horizontal well proposed to be drilled in the~~
20 ~~proposed unit that is anticipated to be necessary,~~
21 ~~based upon the information and knowledge then~~
22 ~~available to the applicant, for the full and efficient~~
23 ~~development and operation of the proposed unit for the~~

24

1 ~~recovery of oil and gas from the shale reservoir~~
2 ~~within the proposed unit,~~

3 ~~b. any applicable proposed allocation factor or factors~~
4 ~~for allocating the costs, production and proceeds from~~
5 ~~the proposed unit,~~

6 ~~c. the anticipated timing and anticipated sequence of~~
7 ~~drilling of each horizontal well in the proposed unit,~~
8 ~~and~~

9 ~~d. any other specific terms, provisions, conditions and~~
10 ~~requirements set forth in Section 87.9 of this title~~
11 ~~or determined by the Commission to be reasonably~~
12 ~~necessary or proper to effectuate or accomplish the~~
13 ~~purpose of Section 87.9 of this title;~~

14 ~~13.~~ "Point of entry" means the point at which the borehole of a
15 horizontal well first intersects the top of the targeted reservoir;

16 ~~14.~~ 13. "PRSA" means the Production Revenue Standards Act;

17 ~~15.~~ "Shale reservoir" means a common source of supply which is
18 a shale formation that is so designated by the Commission through
19 rule or order, and shall also include any associated common source
20 of supply as defined in this section;

21 ~~16.~~ 14. "Targeted reservoir" means any shale reservoir or any
22 portion of the Marmaton common source of supply which has been:

23 a. designated by the Commission through a rule or
24 emergency rule as a common source of supply that is

1 potentially suited for development through a multiunit
2 horizontal well or an extended lateral horizontal
3 unit, or

4 b. determined by the Commission as part of the order
5 approving the multiunit horizontal well or the
6 extended lateral horizontal unit as a common source of
7 supply that is appropriately suited for development
8 through a multiunit horizontal well or an extended
9 lateral horizontal unit for that particular
10 application,

11 And in designating or determining whether a particular common
12 source of supply should be considered a targeted reservoir, the
13 Commission may limit its designation to certain geographical areas
14 or to the use of either multiunit horizontal wells, extended lateral
15 horizontal units or any combination thereof;

16 ~~17.~~ 15. "Terminus" means the end point of the borehole of a
17 horizontal well in the targeted reservoir;

18 ~~18.~~ 16. "Wellbore royalty interest" means, for each separate
19 multiunit horizontal well, the sum of resulting products of each
20 affected unit's royalty share for that unit, as defined by the PRSA,
21 multiplied by that unit's allocation factor for production and
22 proceeds;

23 ~~19.~~ 17. "Wellbore royalty proceeds" means the proceeds or other
24 revenue derived from or attributable to any production of oil and

1 gas from the multiunit horizontal well multiplied by the wellbore
2 royalty interest;

3 ~~20.~~ 18. "Unit" means a drilling and spacing unit for a single
4 common source of supply created pursuant to Section 87.1 of this
5 title or a horizontal well unitization created pursuant to Section
6 87.9 of this title;

7 ~~21.~~ 19. "Unit's royalty contribution factor" means the royalty
8 share for an affected unit, as defined by PRSA, multiplied by that
9 unit's allocation factor, then divided by the total wellbore royalty
10 interest; and

11 ~~22.~~ 20. "Vertical component" means the calculated vertical
12 distance from the point of entry to the terminus.

13 SECTION 2. AMENDATORY 52 O.S. 2011, Section 87.7, is
14 amended to read as follows:

15 Section 87.7. Corporation Commission Jurisdiction.

16 The Corporation Commission shall have jurisdiction, upon the
17 filing of a proper application therefor, to permit the drilling,
18 completing and producing of a multiunit horizontal well in
19 conformity with Section ~~4~~ 87.8 of this ~~act~~ title, or to create ~~a~~ an
20 extended lateral horizontal well-unitization unit in conformity with
21 Section ~~5~~ 87.9 of this ~~act~~ title, if the Commission finds that the
22 multiunit horizontal well or the extended lateral horizontal well
23 unitization unit will prevent waste and will protect the correlative
24 rights of the owners of oil and gas rights. Furthermore, for the

1 planned development of a common source of supply through the use of
2 horizontal well technology where there is currently production from
3 the common source of supply within an existing unit or units, and
4 the planned horizontal well or wells would extend beyond the
5 boundaries of one or more of the existing units, an alternative to
6 creating a new unit or units pursuant to Sections 87.1 or 87.9 of
7 this title, or modifying, superseding, amending or vacating the
8 existing drilling and spacing unit or units, to accommodate the
9 horizontal development, is the utilization of a multiunit horizontal
10 well or wells pursuant to Section 87.8 of this title.

11 SECTION 3. AMENDATORY 52 O.S. 2011, Section 87.8, as
12 amended by Section 2, Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016,
13 Section 87.8), is amended to read as follows:

14 Section 87.8. A. Under the conditions contained in this
15 section, the Corporation Commission is authorized to allow multiunit
16 horizontal wells in any targeted reservoir or reservoirs in order to
17 prevent waste and protect the correlative rights of the owners of
18 oil and gas rights.

19 B. Ownership, Allocation of Costs, Commingled Production, and
20 Proceeds.

21 The Commission shall require the allocation to each of the units
22 affected by a multiunit horizontal well of the actual and reasonable
23 drilling, completion and production costs associated with a such
24 multiunit horizontal well ~~to each of the affected units which the~~

1 ~~well actually penetrates within the completion interval~~ and shall
2 further require the allocation to each of the units affected by a
3 multiunit horizontal well of the commingled production, and the
4 proceeds from the sale thereof, from the completion interval of a
5 such multiunit horizontal well, with any allocation to be in a
6 manner that will prevent waste and protect the correlative rights of
7 the owners of the oil and gas rights in each of the affected units
8 ~~which the well actually penetrates within the completion interval.~~

9 1. The allocation factor for each affected unit shall be
10 determined by dividing the length of the completion interval located
11 within the affected unit by the entire length of the completion
12 interval in the subject multiunit horizontal well. The Commission
13 shall have the authority to adjust the allocation factors, or
14 participation in the subject multiunit horizontal well, based upon
15 reasonable testimony and evidence presented to the Commission, if
16 necessary to prevent waste and adequately protect the correlative
17 rights or vested rights, or both, of the owners of the oil and gas
18 rights in each of the affected units.

19 2. Each party who participates as a working interest owner in a
20 multiunit horizontal well shall own an undivided interest in all
21 portions of the wellbore of the well and in the equipment on or in
22 the well in the same ratio that the party's allocated portion of the
23 total costs of the well and equipment bears to the total costs of
24 the well and equipment. The ownership of undivided interest

1 described in this paragraph shall not affect or prejudice the
2 ownership of oil and gas rights of the affected owners outside of
3 the targeted reservoir for the multiunit horizontal well.

4 3. A multiunit horizontal well shall be treated as a well in
5 each of the affected units and shall be subject to all of the rules
6 otherwise applicable to any other well in any of the affected units.
7 In allowing a multiunit horizontal well, the Commission, under
8 Section 87.1 of this title, may grant any necessary exceptions to
9 the permitted well location tolerances in each of the affected units
10 for the well and permit the well as an additional well in each of
11 the affected units. When an owner has drilled or proposes to drill
12 a multiunit horizontal well or wells and the owners of a present
13 right to drill in any of the affected units have not agreed to pool
14 their interests in the unit or units for the ~~affected common sources~~
15 ~~of supply~~ targeted reservoir, the Commission, under Section 87.1 of
16 this title, may, upon the filing of a proper application therefor,
17 require the owners to pool their interests in the targeted reservoir
18 in each affected unit on a unitwide basis as to the respective unit
19 in regard to the development involving the portion of the multiunit
20 horizontal well or wells located within the affected unit.
21 Furthermore, if the Commission has previously entered an order
22 pooling the interests of owners in an affected unit in which a
23 multiunit horizontal well or wells have been drilled or are proposed
24 to be drilled, the Commission, under Section 87.1 of this title may,

1 upon the filing of a proper application therefor, amend the pooling
2 order to the extent necessary to have the pooling order cover the
3 development involving the portion of the multiunit horizontal well
4 or wells located within the affected unit.

5 4. The application shall include:

6 a. the approximate anticipated location of the proposed
7 multiunit horizontal well or wells,

8 b. a map or maps indicating the location of each
9 currently existing well in each affected unit which is
10 the subject of the application and the anticipated
11 location of each multiunit horizontal well currently
12 proposed to be drilled in each affected unit as a
13 result of the application and any other horizontal
14 well not included in the current application, but
15 anticipated to be necessary, based upon the
16 information and knowledge then available to the
17 applicant, for the full and efficient development and
18 operations of the targeted reservoir within the
19 affected units if the well or wells are approved by
20 the Commission upon the filing of a proper application
21 at a future date, and

22 c. any applicable proposed allocation factor or factors
23 for allocating the costs, production and proceeds from
24

1 each proposed multiunit horizontal well under the
2 application.

3 5. Production from the completion interval in the targeted
4 reservoir from each of the affected units in which a multiunit
5 horizontal well is completed may be commingled in the wellbore of
6 the well and produced to the surface. The commingled production
7 from a multiunit horizontal well shall be allocated to each of the
8 affected units based upon the allocation factors approved by the
9 Commission.

10 6. In granting an application for a multiunit horizontal well
11 or wells, the Commission shall find, based on the testimony and
12 evidence presented, that given the information and knowledge then
13 available, the proposed multiunit horizontal well or wells will
14 prevent waste, protect correlative rights and likely will aid in the
15 full and efficient development of each of the affected units.

16 7. The wellbore royalty proceeds for a multiunit horizontal
17 well shall be allocated to each affected unit by multiplying the
18 royalty contribution factor of the unit by the wellbore royalty
19 proceeds, with the resulting product being the royalty proceeds for
20 that unit. Each royalty interest owner in an affected unit shall be
21 entitled to receive the owner's proportionate royalty share of the
22 allocated royalty proceeds for that unit.

23 8. The multiunit horizontal well shall be subject to the
24 provisions of the Product Revenue Standards Act (PRSA). The

1 operator of the multiunit horizontal well shall be the designated
2 royalty distributor pursuant to the PRSA for the multiunit
3 horizontal well, unless there is a diversity of operators in the
4 affected units from which the multiunit horizontal well is producing
5 and another operator in each of the affected units agrees to perform
6 separately the PRSA royalty distribution functions for the unit.

7 C. Application, Notice and Retained Jurisdiction.

8 Application for approval of a multiunit horizontal well shall be
9 in a form prescribed by the Commission. The application, and the
10 notice of hearing on the application, shall be served no less than
11 fifteen (15) days prior to the date of the hearing, by regular mail,
12 upon each person or governmental entity having the right to share in
13 production from each of the affected units covered by the
14 application, as well as other persons or governmental entities
15 required by the rules of the Commission. Upon approval of a
16 multiunit horizontal well, the Commission shall retain jurisdiction
17 over the well. The retained jurisdiction of the Commission set
18 forth herein shall neither preclude nor impair the right of any
19 affected party to obtain through the district courts of this state
20 any remedy or relief available at law or in equity for injuries
21 caused by any action or inaction of the applicant, operator or any
22 other affected party.

23 SECTION 4. AMENDATORY 52 O.S. 2011, Section 87.9, is
24 amended to read as follows:

1 Section 87.9. A. Extended Lateral Horizontal Well Unitization
2 Units for ~~Shale Targeted~~ Reservoirs.

3 Under limited circumstances and conditions contained in this
4 section, the Corporation Commission is authorized to ~~unitize~~ create
5 a special drilling and spacing unit for a shale targeted reservoir
6 for the drilling of extended lateral horizontal wells to the end
7 that a greater ultimate recovery of oil and gas may be had
8 therefrom, waste is prevented, and the correlative rights of the
9 owners are protected. Unless and until a unit created pursuant to
10 this section is effective, nothing in this section shall prohibit
11 the drilling of a horizontal well within a drilling and spacing unit
12 created pursuant to Section 87.1 of ~~Title 52 of the Oklahoma~~
13 ~~Statutes~~ this title.

14 B. Prerequisites for ~~Unitization~~ an Extended Lateral Horizontal
15 Unit.

16 Upon the filing of an appropriate application, and after notice
17 and hearing, the Commission shall determine if:

- 18 1. The proposed ~~unitization of~~ creation of the extended lateral
19 horizontal unit for the shale drilling and completion of extended
20 lateral horizontal wells in the targeted reservoir is reasonably
21 calculated to increase the ultimate recovery of oil and gas from the
22 ~~shale targeted~~ reservoir through the use of horizontal well
23 technology to drill one or more horizontal wells in the unit;

1 2. The initial proposed horizontal well will be an extended
2 lateral horizontal well;

3 3. The use of extended lateral horizontal well technology to
4 drill the horizontal well or wells in the ~~shale~~ targeted reservoir
5 is feasible, will prevent waste, will protect correlative rights and
6 will, with reasonable probability, result in the increased recovery
7 of substantially more oil and gas from the ~~shale~~ targeted reservoir
8 within the unit than would otherwise be recovered;

9 ~~3.~~ 4. The estimated additional cost, if any, of conducting the
10 extended lateral horizontal well operations is not anticipated to
11 exceed the value of the additional oil and gas to be recovered; and

12 ~~4.~~ 5. The ~~unitization~~ creation of the extended lateral
13 horizontal unit and the use of extended lateral horizontal well
14 technology to drill one or more extended lateral horizontal wells is
15 for the common good and will result in the general advantage of the
16 owners of the oil and gas rights within the unit.

17 Upon making these findings, the Commission may enter an order
18 creating the extended lateral horizontal unit and providing for the
19 ~~unitized~~ operation of the ~~shale~~ extended lateral horizontal unit for
20 the targeted reservoir described in the order, all upon terms and
21 conditions as may be shown by the evidence to be fair, reasonable,
22 equitable and which are necessary or proper to protect and safeguard
23 the respective rights and obligations of the several persons
24 affected, including royalty owners, owners of overriding royalties

1 and others, as well as the lessees. ~~The application shall set forth~~
2 ~~a description of the proposed unit with a map or plat thereof~~
3 ~~attached, shall allege the existence of the facts required to be~~
4 ~~found by the Commission as provided in this subsection and shall~~
5 ~~have attached thereto a recommended plan of development which is~~
6 ~~applicable to the proposed unit and which is fair, reasonable and~~
7 ~~equitable.~~

8 C. Size of the Unit.

9 Each extended lateral horizontal unit shall be two governmental
10 sections. However, the Commission may expand the size of the unit
11 by including additional governmental sections ~~up to a maximum unit~~
12 ~~size of four governmental sections,~~ if for good cause shown the
13 Commission finds the expansion of the unit size beyond two
14 governmental sections is necessary to prevent waste, to protect
15 correlative rights and will result in the increased recovery of
16 substantially more oil and gas from the shale reservoir than would
17 otherwise be recovered based upon, but not necessarily limited to:

- 18 1. Geological features existing within the proposed unit;
- 19 2. The proposed location or orientation of the horizontal
20 wells;
- 21 3. The length of the laterals of the proposed horizontal wells;
- 22 4. The proposed use of multilateral wells; or
- 23 5. Any combination thereof.

24

1 D. Ownership of Oil and Gas Rights within the Extended Lateral
2 Horizontal Unit.

3 Where there are, or may thereafter be, two or more separately
4 owned tracts within the extended lateral horizontal unit, each owner
5 of oil and gas rights within the unit shall own an interest in the
6 extended lateral horizontal unit of the same character as the
7 ownership of the owner in the separately owned tract. From and
8 after the effective date of the order of the Commission creating the
9 extended lateral horizontal unit and subject to the provisions of
10 any pooling order covering the extended lateral horizontal unit, the
11 interest of each owner in the unit shall be defined as the
12 percentage of interest owned in each separate tract by the owner,
13 multiplied by the proportion that the acreage in each separately
14 owned tract bears to the entire acreage of the extended lateral
15 horizontal unit. The costs incurred in connection with and the
16 production and proceeds from the wells in the extended lateral
17 horizontal unit shall be allocated to each separate tract in the
18 extended lateral horizontal unit and shall be borne or shared by the
19 owners in each separate tract based upon and determined by the
20 interest of each owner in the tract. However, if a well or wells
21 already exist within the area of the proposed extended lateral
22 horizontal unit which are producing or have produced or appear to be
23 productive from the ~~shale~~ targeted reservoir being ~~unitized~~ included
24 in the extended lateral horizontal unit, or if an owner subsequently

1 creates a unit pursuant to Section 87.1 of this title, the
2 Commission may:

3 1. Allow existing units created pursuant to Section 87.1 of
4 this title to coexist with, and be operated independently of, the
5 extended lateral horizontal unit; and/or

6 2. ~~adjust~~ Adjust the sharing of future costs incurred in
7 connection with and future production and proceeds from any existing
8 well or any subsequent well in the proposed extended lateral
9 horizontal unit or in a unit created pursuant to Section 87.1 of
10 this title, in any manner deemed necessary by the Commission in
11 order to protect the correlative rights of the owners within the
12 existing wells, proposed unit or future units, including providing
13 for the sharing of future costs incurred in connection with and
14 future production and proceeds from any existing well or any
15 subsequent well in a manner different from any other well in the
16 ~~unit~~ units, so long as the various methods of sharing future costs,
17 production and proceeds from the existing and subsequent wells in
18 the ~~proposed unit prevents~~ units prevent waste and ~~protects~~ protect
19 the correlative rights of all the affected owners. For the purpose
20 of this section, any owner or owners of oil and gas rights in and
21 under an unleased tract of land within the extended lateral
22 horizontal unit, unless the owner has relinquished the drilling
23 rights or working interest of the owner in the applicable ~~shale~~
24 targeted reservoir in the tract of land under a pooling order

1 entered by the Commission which order remains in effect, shall be
2 regarded as a lessee to the extent of a seven-eighths (7/8) interest
3 in and to the rights and a lessor to the extent of the remaining
4 one-eighth (1/8) interest therein.

5 E. The Plan of Development Application.

6 The application shall include ~~a proposed plan of development.~~
7 ~~Based upon the facts and conditions found to exist with respect to a~~
8 ~~proposed unit, the Commission shall determine the necessary terms,~~
9 ~~provisions, conditions and requirements to be included in the plan~~
10 ~~of development for the unit.:~~

11 1. A map or maps indicating the location of each existing well
12 in the proposed unit and the anticipated location of each horizontal
13 well proposed to be drilled in the proposed extended lateral
14 horizontal unit that is anticipated to be necessary, based upon the
15 information and knowledge then available to the applicant, for the
16 full and efficient development and operation of the proposed
17 extended lateral horizontal unit for the recovery of oil and gas
18 from the targeted reservoir within the proposed extended lateral
19 horizontal unit;

20 2. The anticipated timing and anticipated sequence of drilling
21 of each horizontal well in the proposed extended lateral horizontal
22 unit, as set forth in paragraph 1 of this subsection; and

23

24

1 3. Any other specific terms, provisions, conditions and
2 requirements determined by the Commission to be reasonably necessary
3 or proper.

4 If a well or wells already exist within the area of the proposed
5 extended lateral horizontal unit which are producing or have
6 produced or appear to be productive from the ~~shale~~ targeted
7 reservoir being ~~unitized~~ included in the extended lateral horizontal
8 unit, the ~~plan of development~~ application shall also include:

9 ~~1.~~ 4. Whether the existing units created pursuant to Section
10 87.1 of this title will coexist with, and be operated independently
11 of, the proposed extended lateral horizontal unit;

12 5. Any adjustments to the sharing of future costs incurred in
13 connection with future development and production, and the sharing
14 of proceeds, from any existing well or any subsequent well which the
15 Commission ~~determines~~ should consider to be necessary in order to be
16 fair, reasonable and equitable, and to protect the correlative
17 rights of the owners, considering the existing development in and
18 the prior and anticipated future production from the ~~shale~~ targeted
19 reservoir within the proposed unit; and

20 ~~2.~~ 6. The If the applicant is proposing that the existing units
21 are to be terminated, the procedure and basis upon which existing
22 wells, equipment and other properties of the several lessees within
23 the unit area are to be taken over and used for extended lateral
24 horizontal unit operations, including the method of arriving at the

1 compensation therefor, or of otherwise proportionately equalizing or
2 adjusting the investment of the several lessees in the project as of
3 the effective date of extended lateral horizontal unit operation.

4 F. Order of the Commission.

5 The order of the Commission creating the unit shall:

6 1. Designate the size and shape of the unit;

7 2. Set forth the drilling pattern and setbacks for the extended
8 lateral horizontal unit, including the permitted well location
9 tolerances for the permitted wells within the extended lateral
10 horizontal unit;

11 3. Indicate whether existing units created pursuant to Section
12 87.1 of this title will coexist with, and be operated independently
13 of, the proposed extended lateral horizontal unit;

14 ~~4. Approve and adopt the plan of development for the unit, with~~
15 ~~a copy thereof attached to the order~~ any necessary special
16 allocation factors for allocating the costs, production and proceeds
17 from the proposed extended lateral horizontal unit resulting from
18 existing wells;

19 ~~4.~~ 5. Designate the extended lateral horizontal unit operator;
20 and

21 ~~5.~~ 6. Provide for the conditions upon which the extended
22 lateral horizontal unit, and the order creating the extended lateral
23 horizontal unit, shall terminate.

24 G. Consent by Owners.

1 No order of the Commission creating a an extended lateral
2 horizontal unit pursuant to this section shall become effective
3 unless and until the proposed ~~unitization~~ creation thereof has been
4 consented to in writing, and the written consent submitted to the
5 Commission, by lessees of record of not less than sixty-three
6 percent (63%) of the working interest in the ~~shale~~ targeted
7 reservoir in the area to be included in the unit and by owners of
8 record of not less than sixty-three percent (63%), exclusive of any
9 royalty interest owned by any lessee or by any subsidiary of any
10 lessee, of the one-eighth (1/8) royalty interest in the ~~shale~~
11 targeted reservoir in the area to be included in the unit in an
12 express writing separate from the oil and gas lease. The Commission
13 shall make a finding in the order creating the unit as to whether
14 the requisite consent has been obtained. Where the requisite
15 consent has not been obtained at the time the order creating the
16 unit is entered, the Commission shall, upon application and notice,
17 hold any additional and supplemental hearings as may be requested or
18 required to determine if and when the requisite consent has been
19 obtained and the date the ~~unitization~~ extended lateral horizontal
20 unit will become effective. In the event lessees and royalty
21 owners, or either, owning the required percentage interest in and to
22 the extended lateral horizontal unit area have not so consented to
23 the ~~unitization~~ creation of the extended lateral horizontal unit
24 within a period of six (6) months from and after the date on which

1 the order creating the unit is entered, the order creating the
2 extended lateral horizontal unit shall cease to be of further force
3 and effect and shall be revoked by the Commission.

4 H. Notice.

5 The application for the creation of a an extended lateral
6 horizontal well ~~unitization~~ for a ~~shale~~ targeted reservoir under
7 this section, and the notice of hearing on the application, shall be
8 served no less than fifteen (15) days prior to the date of the
9 hearing, by regular mail, upon each person or governmental entity
10 having the right to share in production from the proposed extended
11 lateral horizontal unit covered by the application, as well as other
12 persons or governmental entities required by Commission rules. Any
13 person aggrieved by any order of the Commission made pursuant to
14 this section may appeal therefrom to the Supreme Court of the State
15 of Oklahoma upon the same conditions, within the same time and in
16 the same manner as is provided for in ~~Title 52 of the Oklahoma~~
17 ~~Statutes~~ this title, for the taking of appeals from the orders of
18 the Commission made thereunder.

19 I. Pooling of the Extended Lateral Horizontal Unit.

20 From and after the effective date of an order creating an
21 extended lateral horizontal unit pursuant to this section and
22 subject to the provisions of the order in regard to the matters to
23 be found by the Commission in the creation of the extended lateral
24 horizontal unit ~~and the provisions of the applicable plan of~~

1 ~~development~~, an owner of the right to drill for and produce oil or
2 gas from the unit may request the Commission to pool the oil and gas
3 interests of the owners in the unit on a unitwide basis pursuant to
4 the provisions of subsection (e) of Section 87.1 of ~~Title 52 of the~~
5 ~~Oklahoma Statutes~~ this title in regard to the development of the
6 horizontal well development unit ~~involving a horizontal well or~~
7 ~~wells.~~

8 J. Effect on Existing Spacing Units and Pooling Orders.

9 From and after the effective date of an order creating an
10 extended lateral horizontal unit pursuant to this section, the
11 operation of any well producing from the ~~shale~~ targeted reservoir
12 within the extended lateral horizontal unit defined in the order by
13 persons other than the extended lateral horizontal unit operator, or
14 except in the manner and to the extent provided in the order
15 creating the extended lateral horizontal unit shall be unlawful and
16 is hereby prohibited. ~~Once the order of the Commission creating a~~
17 ~~unit pursuant to this section becomes effective, the unit so created~~
18 ~~shall supersede any drilling and spacing unit previously formed by~~
19 ~~the Commission pursuant to Section 87.1 of Title 52 of the Oklahoma~~
20 ~~Statutes for the same shale reservoir within the area of the new~~
21 ~~unit.~~ Any pooling order which was entered by the Commission
22 pursuant to subsection (e) of Section 87.1 of Title 52 of the
23 Oklahoma Statutes covering any drilling and spacing unit ~~superseded~~
24 ~~by a unit created pursuant to this section and~~ which was in effect

1 at the time of the creation of the extended lateral horizontal unit
2 shall remain in full force and effect as to any oil and gas
3 interests ~~in the shale reservoir which were relinquished and~~
4 ~~transferred by operation of law under the pooling order~~ and units
5 covered thereby. ~~However, further~~ Further development of the ~~shale~~
6 targeted reservoir in the area of the extended lateral horizontal
7 unit created pursuant to this section shall ~~not be subject to any of~~
8 ~~the other provisions of any prior pooling order, but shall be~~
9 governed by and pursuant to the order creating the extended lateral
10 horizontal unit, ~~including the applicable plan of development, and~~
11 any subsequent pooling order covering the extended lateral
12 horizontal unit and any prior orders of the Commission.

13 K. Payment of Proceeds.

14 ~~Units~~ Extended lateral horizontal units created pursuant to this
15 section shall be subject to the terms and provision of the PRSA and
16 the Royalty Standardization Act.

17 L. The Commissioners of the Land Office.

18 The Commissioners of the Land Office, or other proper board or
19 officer of the state having the control and management of state
20 land, and the proper board or officer of any political, municipal,
21 or other subdivision or agency of the state, are hereby authorized
22 and shall have the power on behalf of the state or of any political,
23 municipal, or other subdivision or agency thereof, with respect to
24 land or oil and gas rights subject to the control and management of

1 the respective body, board, or officer, to consent to or participate
2 in any ~~unitization adopted pursuant to the 2011 Shale Reservoir~~
3 ~~Development Act~~ extended lateral horizontal unit created pursuant to
4 this section.

5 M. Retained Jurisdiction.

6 Upon the creation of a an extended lateral horizontal unit
7 pursuant to this section, ~~and approval of the plan of development in~~
8 ~~connection therewith,~~ the Commission shall retain jurisdiction over
9 the unit ~~and the plan of development.~~ The retained jurisdiction of
10 the Commission set forth herein shall neither preclude nor impair
11 the right of any affected party to obtain, through the district
12 courts of this state, any remedy or relief available at law or in
13 equity for injuries caused by any action or inaction of the
14 applicant, operator or any other affected party.

15 SECTION 5. It being immediately necessary for the preservation
16 of the public peace, health or safety, an emergency is hereby
17 declared to exist, by reason whereof this act shall take effect and
18 be in full force from and after its passage and approval.

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