

1 ENGROSSED SENATE  
2 BILL NO. 807

By: Bingman and Crain of the  
Senate

3 and

4 Hickman of the House  
5

6 An Act relating to oil and gas; amending 52 O.S.  
7 2011, Section 87.1, as amended by Section 4, Chapter  
8 201, O.S.L. 2012, Section 87.6, as last amended by  
9 Section 1, Chapter 400, O.S.L. 2014, 87.7, and 87.8,  
10 as amended by Section 2, Chapter 400, O.S.L. 2014 (52  
11 O.S. Supp. 2014, Sections 87.1, 87.6, and 87.8),  
12 which relate to well spacing and the 2011 Shale  
13 Reservoir Development Act; clarifying statutory  
14 reference; stating procedure for participation in  
15 certain subsequent wells in certain pooling orders;  
16 modifying name of certain act, providing short title;  
17 modifying definitions; providing for planned  
18 development of certain common sources of supply of  
19 oil and gas; modifying Corporation Commission  
20 jurisdiction and administration of certain wells;  
21 modifying procedures for allocating resources and  
22 costs for certain horizontal wells; and declaring an  
23 emergency.

24 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 52 O.S. 2011, Section 87.1, as  
amended by Section 4, Chapter 201, O.S.L. 2012 (52 O.S. Supp. 2014,  
Section 87.1), is amended to read as follows:

Section 87.1. Whenever the production from any common source of  
supply of oil or natural gas in this state can be obtained only  
under conditions constituting waste or drainage not compensated by  
counterdrainage, then any person having the right to drill into and

1 produce from such common source of supply may, except as otherwise  
2 authorized or in this section provided, take therefrom only such  
3 proportion of the oil or natural gas that may be produced therefrom  
4 without waste or without such drainage as the productive capacity of  
5 the well or wells of any such person considered with the acreage  
6 properly assignable to each such well bears to the total productive  
7 capacities of the wells in such common source of supply considered  
8 with the acreage properly assignable to each well therein.

9       ~~(a)~~ A. To prevent or to assist in preventing the various types  
10 of waste of oil or gas prohibited by statute, or any wastes, or to  
11 protect or assist in protecting the correlative rights of interested  
12 parties, the Corporation Commission, upon a proper application and  
13 notice given as hereinafter provided, and after a hearing as  
14 provided in the notice, shall have the power to establish well  
15 spacing and drilling units of specified and approximately uniform  
16 size and shape covering any common source of supply, or prospective  
17 common source of supply, of oil or gas within the State of Oklahoma;  
18 provided, that the Commission may authorize the drilling of an  
19 additional well or wells on any spacing and drilling unit or units  
20 or any portion or portions thereof or may establish, reestablish, or  
21 reform well spacing and drilling units of different sizes and shapes  
22 when the Commission determines that a common source of supply  
23 contains predominantly oil underlying an area or areas and contains  
24 predominantly gas underlying a different area or areas; provided

1 further that the units in the predominantly oil area or areas shall  
2 be of approximately uniform size and shape, and the units in the  
3 predominantly gas area or areas shall be of approximately uniform  
4 size and shape, except that the units in the gas area or areas may  
5 be of nonuniform size and shape when they adjoin the units in the  
6 oil area or areas; provided further that the drilling pattern for  
7 such nonuniform units need not be uniform, and provided further that  
8 the Commission shall adjust the allowable production within the  
9 common source of supply, or any part thereof, and take such other  
10 action as may be necessary to protect the rights of interested  
11 parties. Any order issued pursuant to the provisions hereof may be  
12 entered after a hearing upon the petition of any person owning an  
13 interest in the minerals in lands embraced within such common source  
14 of supply, or the right to drill a well for oil or gas on the lands  
15 embraced within such common source of supply, or on the petition of  
16 the Conservation Officer of the State of Oklahoma. When such a  
17 petition is filed with the Commission, the Commission shall give at  
18 least fifteen (15) days' notice of the hearing to be held upon such  
19 petition by one publication, at least fifteen (15) days prior to the  
20 hearing, in some newspaper of general circulation published in  
21 Oklahoma County, and by one publication, at least fifteen (15) days  
22 prior to the date of the hearing, in some newspaper published in the  
23 county, or in each county, if there be more than one, in which the  
24 lands embraced within the application are situated. Except as to

1 the notice of hearing on such a petition, the procedural  
2 requirements of Section 86.1 et seq. of this title shall govern all  
3 proceedings and hearings provided for by this section.

4 ~~(b)~~ B. In case of a spacing unit of one hundred sixty (160)  
5 acres or more, no oil and/or gas leasehold interest outside the  
6 spacing unit involved may be held by production from the spacing  
7 unit more than ninety (90) days beyond expiration of the primary  
8 term of the lease.

9 ~~(c)~~ C. In establishing a well spacing or drilling unit for a  
10 common source of supply thereunder, the acreage to be embraced  
11 within each unit may include acreage from more than one governmental  
12 section, but shall not exceed six hundred forty (640) acres for a  
13 gas well plus ten percent (10%) tolerance, unless the unit is a  
14 governmental section and the governmental section contains more than  
15 six hundred forty (640) acres in which case the unit may comprise  
16 the entire section. Provided, however, fractional sections along  
17 the state boundary line and within the townships along the boundary  
18 where the survey west of the Indian Meridian meets the survey east  
19 of the Cimarron Meridian may be spaced with adjoining section unit,  
20 and the shape thereof shall be determined by the Commission from the  
21 evidence introduced at the hearing, and the following facts, among  
22 other things, shall be material: (1) The lands embraced in the  
23 actual or prospective common source of supply; (2) the plan of well  
24 spacing then being employed or contemplated in the source of supply;

1 (3) the depth at which production from the common source of supply  
2 has been or is expected to be found; (4) the nature and character of  
3 the producing or prospective producing formation or formations; and  
4 (5) any other available geological or scientific data pertaining to  
5 the actual or prospective source of supply which may be of probative  
6 value to the Commission in determining the proper spacing and well  
7 drilling unit therefor, with due and relative allowance for the  
8 correlative rights and obligations of the producers and royalty  
9 owners interested therein.

10 The order establishing such spacing or drilling units shall set  
11 forth: (1) the outside boundaries of the surface area included in  
12 such order; (2) the size, form, and shape of the spacing or drilling  
13 units so established; (3) the drilling pattern for the area, which  
14 shall be uniform except as hereinbefore provided; and (4) the  
15 location of the permitted well on each such spacing or drilling  
16 unit. To such order shall be attached a plat upon which shall be  
17 indicated the foregoing information. Subject to other provisions of  
18 Section 86.1 et seq. of this title, the order establishing such  
19 spacing or drilling units shall direct that no more than one well  
20 shall thereafter be produced from the common source of supply on any  
21 unit so established, and that the well permitted on that unit shall  
22 be drilled at the location thereon as prescribed by the Commission,  
23 with such exception as may be reasonably necessary where it is  
24 shown, upon application, notice and hearing in conformity with the

1 procedural requirements of Section 86.1 et seq. of this title, and  
2 the Commission finds that any such spacing unit is located on the  
3 edge of a pool and adjacent to a producing unit, or for some other  
4 reason that to require the drilling of a well at the prescribed  
5 location on such spacing unit would be inequitable or unreasonable.  
6 Whenever such an exception is granted, the Commission shall adjust  
7 the allowable production for the spacing unit and take such other  
8 action as may be necessary to protect the rights of interested  
9 parties.

10 Any well spacing or drilling unit for a common source of supply  
11 thereunder which exceeds six hundred forty (640) acres for a gas  
12 well plus ten percent (10%) tolerance or exceeds the total amount of  
13 acreage contained in a governmental section, and is not in  
14 production or in the process of drilling development on ~~the~~  
15 ~~effective date of this act~~ March 26, 1980, shall be de-spaced.  
16 However, fractional sections along the state boundary line and  
17 within the townships along the boundary where the survey west of the  
18 Indian Meridian meets the survey east of the Cimarron Meridian may  
19 be spaced with adjoining section unit, and the shape thereof shall  
20 be determined by the Commission.

21 ~~(d)~~ D. The Commission shall have jurisdiction upon the filing  
22 of a proper application therefor, and upon notice given as provided  
23 in subsection ~~(a)~~ A of this section, to decrease the size of the  
24 well spacing units or to permit additional wells to be drilled

1 within the established units, or to increase the size or modify the  
2 shape of the well spacing units, upon proper proof at such hearing  
3 that such modification or extension of the order establishing  
4 drilling or spacing units will prevent or assist in preventing the  
5 various types of wastes prohibited by statute, or any of the wastes,  
6 or will protect or assist in protecting the correlative rights of  
7 persons interested in the common source of supply, or upon the  
8 filing of a proper application therefor to enlarge the area covered  
9 by the spacing order, if such proof discloses that the development  
10 or the trend of development indicates that such common source of  
11 supply underlies an area not covered by the spacing order and such  
12 proof discloses that the applicant is an owner within the area or  
13 within a drilling and spacing unit contiguous to the area covered by  
14 the application. Except in the instance of reservoir dewatering as  
15 described herein, the Commission shall not establish well spacing  
16 units of more than forty (40) acres in size covering common sources  
17 of supply of oil, the top of which lies less than four thousand  
18 (4,000) feet below the surface as determined by the original or  
19 discovery well in the common source of supply, and the Commission  
20 shall not establish well spacing units of more than eighty (80)  
21 acres in size covering common sources of supply of oil, the top of  
22 which lies less than nine thousand nine hundred ninety (9,990) feet  
23 and more than four thousand (4,000) feet below the surface as  
24 determined by the original or discovery well in the common source of

1 supply. In the instance of reservoir dewatering to extract oil from  
2 reservoirs having initial water saturations at or above fifty  
3 percent (50%), the Commission may establish drilling and spacing  
4 units not to exceed six hundred forty (640) acres in size.

5 ~~(e)~~ E. The drilling of any well or wells into any common source  
6 of supply for the purpose of producing oil or gas therefrom, after a  
7 spacing order has been entered by the Commission covering such  
8 common source of supply, at a location other than that fixed by the  
9 order is hereby prohibited. The drilling of any well or wells into  
10 a common source of supply, covered by a pending spacing application,  
11 at a location other than that approved by a special order of the  
12 Commission authorizing the drilling of such well is hereby  
13 prohibited. The operation of any well drilled in violation of any  
14 spacing so entered is also hereby prohibited. When two or more  
15 separately owned tracts of land are embraced within an established  
16 spacing unit, or where there are undivided interests separately  
17 owned, or both such separately owned tracts and undivided interests  
18 embraced within such established spacing unit, the owners thereof  
19 may validly pool their interests and develop their lands as a unit.  
20 Where, however, such owners have not agreed to pool their interests  
21 and where one such separate owner has drilled or proposes to drill a  
22 well on the unit to the common source of supply, the Commission, to  
23 avoid the drilling of unnecessary wells, or to protect correlative  
24 rights, shall, upon a proper application therefor and a hearing



1 thereon, require such owners to pool and develop their lands in the  
2 spacing unit as a unit. The applicant shall give all the owners  
3 whose addresses are known or could be known through the exercise of  
4 due diligence at least fifteen (15) days' notice by mail, return  
5 receipt requested. The applicant shall also give notice by one  
6 publication, at least fifteen (15) days prior to the hearing, in  
7 some newspaper of general circulation published in Oklahoma County,  
8 and by one publication, at least fifteen (15) days prior to the date  
9 of the hearing, in some newspaper published in the county, or in  
10 each county, if there be more than one, in which the lands embraced  
11 within the spacing unit are situated. The applicant shall file  
12 proof of publication and an affidavit of mailing with the Commission  
13 prior to the hearing. All orders requiring such pooling shall be  
14 made after notice and hearing, and shall be upon such terms and  
15 conditions as are just and reasonable and will afford to the owner  
16 of such tract in the unit the opportunity to recover or receive  
17 without unnecessary expense the owner's just and fair share of the  
18 oil and gas. The portion of the production allocated to the owner  
19 of each tract or interests included in a well spacing unit formed by  
20 a pooling order shall, when produced, be considered as if produced  
21 by such owner from the separately owned tract or interest by a well  
22 drilled thereon. Such pooling order of the Commission shall make  
23 definite provisions for the payment of cost of the development and  
24 operation, which shall be limited to the actual expenditures

1 required for such purpose not in excess of what are reasonable,  
2 including a reasonable charge for supervision. In the event of any  
3 dispute relative to such costs, the Commission shall determine the  
4 proper costs after due notice to interested parties and a hearing  
5 thereon. The operator of such unit, in addition to any other right  
6 provided by the pooling order or orders of the Commission, shall  
7 have a lien on the mineral leasehold estate or rights owned by the  
8 other owners therein and upon their shares of the production from  
9 such unit to the extent that costs incurred in the development and  
10 operation upon the unit are a charge against such interest by order  
11 of the Commission or by operation of law. Such liens shall be  
12 separable as to each separate owner within such unit, and shall  
13 remain liens until the owner or owners drilling or operating the  
14 well have been paid the amount due under the terms of the pooling  
15 order. The Commission is specifically authorized to provide that  
16 the owner or owners drilling, or paying for the drilling, or for the  
17 operation of a well for the benefit of all shall be entitled to  
18 production from such well which would be received by the owner or  
19 owners for whose benefit the well was drilled or operated, after  
20 payment of royalty, until the owner or owners drilling or operating  
21 the well have been paid the amount due under the terms of the  
22 pooling order or order settling such dispute. No part of the  
23 production or proceeds accruing to any owner of a separate interest

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1 in such unit shall be applied toward payment of any cost properly  
2 chargeable to any other interest in the unit.

3 For the purpose of this section, the owner or owners of oil and  
4 gas rights in and under an unleased tract of land shall be regarded  
5 as a lessee to the extent of a seven-eighths (7/8) interest in and  
6 to the rights and a lessor to the extent of the remaining one-eighth  
7 (1/8) interest therein, unless and until the owner or owners make an  
8 election or are deemed to make an election not to participate under  
9 a pooling order issued by the Commission, at which time each such  
10 owner shall be considered a lessor, subject to the judicially  
11 recognized implied covenant to market found to exist by the courts  
12 of this state in oil and gas leases covering lands located in this  
13 state, to the extent of the full royalty percentage elected under  
14 the pooling order. Should the owners of separate tracts or  
15 interests embraced within a spacing unit fail to agree upon a  
16 pooling of their interests and the drilling of a well on the unit,  
17 and should it be established by final, unappealable judgment of a  
18 court of competent jurisdiction that the Commission is without  
19 authority to require pooling as provided for herein, then, subject  
20 to all other applicable provisions of this act, the owner of each  
21 tract or interest embraced within a spacing unit may drill on his or  
22 her separately owned tract, and the allowable production therefrom  
23 shall be that portion of the allowable for the full spacing unit as

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1 the area of such separately owned tract bears to the full spacing  
2 unit.

3 In the event a producing well or wells are completed upon a unit  
4 where there are, or may thereafter be, two or more separately owned  
5 tracts, each royalty interest owner shall share in all production  
6 from the well or wells drilled within the unit, or in the gas well  
7 rental provided for in the lease covering such separately owned  
8 tract or interest in lieu of the customary fixed royalty, to the  
9 extent of such royalty interest owner's interest in the unit. Each  
10 royalty interest owner's interest in the unit shall be defined as  
11 the percentage of royalty owned in each separate tract by the  
12 royalty owner, multiplied by the proportion that the acreage in each  
13 separately owned tract or interest bears to the entire acreage of  
14 the unit.

15 ~~(f)~~ F. Notwithstanding any provision of this section to the  
16 contrary, the Corporation Commission shall have jurisdiction upon  
17 the filing of a proper application therefor, and upon notice given  
18 as provided in subsection ~~(a)~~ A of this section, to establish  
19 spacing rules for horizontally drilled oil wells whereby  
20 horizontally drilled oil wells may have well spacing units  
21 established of up to six hundred forty (640) acres plus tolerances  
22 and variances as allowed for gas wells pursuant to subsection ~~(e)~~ C  
23 of this section. For purposes of this subsection a "horizontally  
24 drilled oil well" shall mean an oil well drilled, completed or

1 recompleted in a manner in which the horizontal component of the  
2 completion interval in the geological formation exceeds the vertical  
3 component thereof and which horizontal component extends a minimum  
4 of one hundred fifty (150) feet in the formation. The Corporation  
5 Commission shall promulgate rules necessary for the proper  
6 administration of this subsection.

7 G. The Commission shall provide in each pooling order issued  
8 after the effective date of this act that for any horizontal well  
9 drilled under such pooling order that each owner who participated in  
10 the initial unit well under the pooling order shall have an election  
11 to participate in each subsequent well proposed under the pooling  
12 order which is a horizontal well, notwithstanding a prior election  
13 by the owner not to participate in a horizontal well under the  
14 pooling order. Any such owner who makes an election not to  
15 participate in a subsequent horizontal well under the pooling order  
16 shall only relinquish that owner's nonparticipating interest limited  
17 to only that subsequent horizontal well pursuant to the terms of the  
18 pooling order, and shall retain the right to elect to participate in  
19 any subsequent horizontal wells which may be proposed under the  
20 pooling order with all or any part of that owner's interest. An  
21 owner who elects or is deemed to have elected not to participate in  
22 a subsequent horizontal well pursuant to the pooling order covering  
23 the unit or a unit which is the subject of an order authorizing a  
24 horizontal well shall be deemed to have elected not to participate

1 pursuant to this subsection and shall deliver that owner's interest  
2 pursuant to the terms of the pooling order as to the proposed  
3 horizontal well, but shall not be entitled to receive any cash bonus  
4 under the subsequent operations provision of the applicable pooling  
5 order and shall surrender that owner's right to participate in the  
6 well subject only to its existing burdens.

7 SECTION 2. AMENDATORY 52 O.S. 2011, Section 87.6, as  
8 last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp.  
9 2014, Section 87.6), is amended to read as follows:

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

13 B. As used in ~~the 2011 Shale Reservoir Development Act~~ this  
14 act:

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

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

22 3. "Associated common source of supply" means a common source  
23 of supply which is subject to a drilling and spacing unit formed by  
24 the Corporation Commission and located in all or a portion of the

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

9 4. "Commission" means the Corporation Commission;

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

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

21 7. "Horizontal well unitization" means a unitization for a  
22 shale reservoir created pursuant to Section 87.9 of this title;

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

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

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

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

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

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

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- 1           b. any applicable proposed allocation factor or factors  
2           for allocating the costs, production, and proceeds  
3           from the proposed unit,  
4           c. the anticipated timing and anticipated sequence of  
5           drilling of each horizontal well in the proposed unit,  
6           and  
7           d. any other specific terms, provisions, conditions, and  
8           requirements set forth in Section 87.9 of this title  
9           or determined by the Commission to be reasonably  
10          necessary or proper to effectuate or accomplish the  
11          purpose of Section 87.9 of this title;

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

14          14. "PRSA" means the Production Revenue Standards Act;

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

20          16. "Targeted reservoir" means any shale reservoir or any  
21 portion of the Marmaton common source of supply or any other common  
22 source of supply which has been reviewed by the Commission's oil and  
23 gas technical department and thereafter:

1           a. designated by the Commission through a rule or  
2           emergency rule as a common source of supply that is  
3           potentially suited for development through a multiunit  
4           horizontal well, or

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

10 and in designating or determining whether a particular common source  
11 of supply should be considered a targeted reservoir, the Commission  
12 may limit its designation to certain geographical areas;

13           17. "Terminus" means the end point of the borehole of a  
14 horizontal well;

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

20           19. "Wellbore royalty proceeds" means the proceeds or other  
21 revenue derived from or attributable to any production of oil and  
22 gas from the multiunit horizontal well multiplied by the wellbore  
23 royalty interest;

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

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

9       22. "Vertical component" means the calculated vertical distance  
10 from the point of entry to the terminus.

11       SECTION 3.       AMENDATORY       52 O.S. 2011, Section 87.7, is  
12 amended to read as follows:

13       Section 87.7. ~~Corporation Commission Jurisdiction.~~ The  
14 Corporation Commission shall have jurisdiction, upon the filing of a  
15 proper application therefor, to permit the drilling, completing and  
16 producing of a multiunit horizontal well in conformity with Section  
17 4 of this act, or to create a horizontal well unitization in  
18 conformity with Section 5 of this act, if the Commission finds that  
19 the multiunit horizontal well or the horizontal well unitization  
20 will prevent waste and will protect the correlative rights of the  
21 owners of oil and gas rights. Furthermore, for the planned  
22 development of a common source of supply through the use of  
23 horizontal well technology where there is currently production from  
24 the common source of supply within an existing unit or units, and

1 the planned horizontal well or wells would extend beyond the  
2 boundaries of one or more of the existing units, an alternative to  
3 creating a new unit or units pursuant to Section 87.1 or 87.9 of  
4 this title or modifying, superseding, amending or vacating the  
5 existing drilling and spacing unit or units, to accommodate the  
6 horizontal development in the utilization of a multiunit horizontal  
7 well or wells pursuant to Section 87.8 of this title.

8 SECTION 4. AMENDATORY 52 O.S. 2011, Section 87.8, as  
9 amended by Section 2, Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2014,  
10 Section 87.8), is amended to read as follows:

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

16 B. Ownership, Allocation of Costs, Commingled Production, and  
17 Proceeds.

18 The Commission shall require the allocation to each of the units  
19 affected by a multiunit horizontal well of the actual and reasonable  
20 drilling, completion and production costs associated with ~~a~~ such  
21 multiunit horizontal well ~~to each of the affected units which the~~  
22 ~~well actually penetrates within the completion interval~~ and shall  
23 further require the allocation to each of the units affected by a  
24 multiunit horizontal well of the commingled production, and the

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

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

16 2. Each party who participates as a working interest owner in a  
17 multiunit horizontal well shall own an undivided interest in all  
18 portions of the wellbore of the well and in the equipment on or in  
19 the well in the same ratio that the party's allocated portion of the  
20 total costs of the well and equipment bears to the total costs of  
21 the well and equipment. The ownership of undivided interest  
22 described in this paragraph shall not affect or prejudice the  
23 ownership of oil and gas rights of the affected owners outside of  
24 the targeted reservoir for the multiunit horizontal well.

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

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1 development involving the portion of the multiunit horizontal well  
2 or wells located within the affected unit.

3 4. The application shall include:

4 a. the approximate anticipated location of the proposed  
5 multiunit horizontal well or wells,

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

20 c. any applicable proposed allocation factor or factors  
21 for allocating the costs, production and proceeds from  
22 each proposed multiunit horizontal well under the  
23 application.

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

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

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

21           8. The multiunit horizontal well shall be subject to the  
22 provisions of the Product Revenue Standards Act (PRSA). The  
23 operator of the multiunit horizontal well shall be the designated  
24 royalty distributor pursuant to the PRSA for the multiunit



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

5 C. Application, Notice, and Retained Jurisdiction.

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

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

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Passed the Senate the 11th day of March, 2015.

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Presiding Officer of the Senate

Passed the House of Representatives the \_\_\_\_ day of \_\_\_\_\_,  
2015.

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Presiding Officer of the House  
of Representatives