

ENROLLED SENATE
BILL NO. 663

BY: EASLEY and LONG (Ed) of the
SENATE

and

RICE, HUDSON, MASS,
VOSKUHL, VEITCH, COMBS,
HOWARD, JOHNSON (Rob),
LARASON, LESTER, NIEMI,
REESE, SADLER, SATTERFIELD,
SETTLE, STOTTEMYRE,
THOMPSON and TODD of the
HOUSE

AN ACT RELATING TO OIL AND GAS; AMENDING 52 O.S.
1991, SECTIONS 29, 232 AND 239, WHICH RELATE TO
THE PERCENT OF CAPACITY OF FLOW OF GAS WELL
ALLOWED TO BE TAKEN; STATING LEGISLATIVE INTENT;
MODIFYING ALLOWABLE PRODUCTION LEVELS;
AUTHORIZING CORPORATION COMMISSION TO MODIFY
ALLOWABLE LEVELS; REQUIRING THAT CERTAIN ACTIONS
BE PURSUANT TO ADMINISTRATIVE PROCEDURES ACT;
PROVIDING THAT CERTAIN LAWS AND RULES NOT TO
SUPERCEDE CERTAIN ORDERS; PROVIDING FOR
EXCEPTIONS UNDER CERTAIN CONDITIONS; AUTHORIZING
FIELD RULES; REQUIRING PROTECTION OF CORRELATIVE
RIGHTS; PROVIDING AN EFFECTIVE DATE; AND
DECLARING AN EMERGENCY.

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

SECTION 1. The Legislature finds and declares that it is in the public interest to prevent the waste of natural gas and to protect the correlative rights of owners and producers of natural gas underlying the State of Oklahoma and, for that purpose, it is necessary and desirable in the exercise of the police power of the state to provide for limitations on gas production on a statewide basis.

SECTION 2. AMENDATORY 52 O.S. 1991, Section 29, is amended to read as follows:

Section 29. A. Every corporation, joint-stock company, limited copartnership, partnership or other person now or hereafter claiming or exercising the right to produce natural gas ~~or to carry or to transport natural gas through pipeline or pipelines for hire, compensation, or otherwise,~~ within the limits of this state, ~~is allowed by and upon compliance with the requirements of this act,~~ as owner, lessee, licensee, or by virtue of any other right or claim is hereby prohibited from ~~taking more than fifty percent (50%) producing from any gas well:~~

1. During the period comprising the calendar months of March through October of any year more than the greater of:

a. seven hundred fifty thousand (750,000) cubic feet of natural gas per day, or

- b. twenty-five percent (25%) of the daily natural flow of any gas well or wells unless, for good cause shown under the exigencies of the particular case, the Corporation Commission shall establish a different percentage under the prescribed rules and regulations therefor such natural gas well; or

2. During the period comprising the calendar months of November through February of any calendar year more than the greater of:

- a. one million (1,000,000) cubic feet of natural gas per day, or
- b. forty percent (40%) of the daily natural flow of such natural gas well;

unless and until the Corporation Commission promulgates production rules pursuant to subsection B of this section.

B. The Corporation Commission shall have the power and authority to promulgate production rules from time to time for all natural gas wells producing within this state, or for such categories of natural gas wells producing within this state as the Commission may deem appropriate, establishing different levels of production, which may be greater or lesser than those set forth herein, upon a finding that the levels of production so established will be sufficient to prevent waste as the same is defined in Section 86.3 of this title and will protect the interests of the public against production of the natural gas reserves underlying this state in amounts in excess of the reasonable market demand therefor.

C. The authority granted to the Corporation Commission by this section is in addition to that provided for in Section 239 of this title.

D. The Corporation Commission may, for good cause shown under the exigencies of a particular case and after appropriate notice and hearing, establish a production level different from the levels provided by this section or established by rule promulgated by the Corporation Commission.

E. Production rules promulgated by the Corporation Commission pursuant to the authority granted in subsection B of this section shall be promulgated pursuant to Article I of the Administrative Procedures Act, Sections 250.3 through 308.2 of Title 75 of the Oklahoma Statutes, including the provisions contained therein prescribing the required notice and hearing for rulemaking.

F. The provisions of subsection A of this section and production rules promulgated by the Corporation Commission pursuant to subsection B of this section shall not supersede or invalidate the provisions of any rule or order of the Corporation Commission establishing production levels for natural gas from a well which has been expressly authorized by Corporation Commission order to produce at a specified rate applicable only to that well where the basis for the rate established is based upon a determination by the Corporation Commission that reasonable cause exists to expect that production below said rate would damage the well and cause waste, a so-called "hardship well", or establishing field rules under Section 239 of this title governing the taking of gas from a specified common source of supply or field.

SECTION 3. AMENDATORY 52 O.S. 1991, Section 232, is amended to read as follows:

Section 232. Any Subject to the provisions of Sections 29 and 239 of this title any owner, producer, or oil and gas lessee of the surface, having the right to drill for natural gas, shall have the right to sink a well to the natural gas underneath the same and to take gas therefrom until the gas under such surface is exhausted; in

~~case other parties having the right to drill into the common reservoir of gas drill a well or wells into the same, then the amount of gas each owner may take therefrom shall be proportionate to the natural flow of his well or wells to the natural flow of the well or wells of such other owners of the same common source of supply of gas, such natural flow to be determined by any standard measurement at the beginning of each calendar month; provided, that not more than fifty percent (50%) of the natural flow of any well shall be taken unless, for good cause shown and upon notice and hearing, the Corporation Commission may, by proper order, permit the taking of a greater amount. The drilling of a gas well or wells by any owner or lessee of the surface shall be regarded as reducing to possession his share of such gas as is shown by his well.~~

SECTION 4. AMENDATORY 52 O.S. 1991, Section 239, is amended to read as follows:

Section 239. ~~Whenever the full production from any common source of supply of natural gas in this state is in excess of the market demands, then any~~ Any person, firm or corporation, having the right to drill into and produce gas from any ~~such~~ common source of supply, may take therefrom only such proportion of the natural gas that may be marketed without waste, as the natural flow of the well or wells owned or controlled by any such person, firm or corporation bears to the total natural flow of such common source of supply having due regard to the acreage drained by each well, so as to prevent any such person, firm or corporation securing any unfair proportion of the gas therefrom; ~~provided, that the Corporation Commission may by proper order, permit the taking of a greater amount whenever it shall deem such taking reasonable or equitable.~~ The ~~said~~ Corporation Commission is authorized and directed to prescribe rules and regulations for the determination of the natural flow of any such well or wells, and to promulgate field rules to regulate the taking of natural gas from any or all such common sources of supply within the state, so as to prevent waste as the same is defined in Section 86.3 of this title, protect the interests of the public, and the correlative rights of all those having a right to produce therefrom, and to prevent unreasonable discrimination in favor of any one such common source of supply as against another.

SECTION 5. This act shall become effective on the first day of the next succeeding calendar month following passage and approval.

SECTION 6. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the Senate the 25th day of February, 1992.

President of the Senate

Passed the House of Representatives the 17th day of March, 1992.

Speaker

of the House of
Representatives