

1 ENGROSSED SENATE  
2 BILL NO. 1888

By: Bingman of the Senate  
and  
Thompson of the House

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6  
7 [ oil and gas - well spacing - updating statutory  
8 language and citations -  
9 effective date ]  
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12 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

13 SECTION 1. AMENDATORY 52 O.S. 2001, Section 87.1, as  
14 amended by Section 2, Chapter 331, O.S.L. 2007 (52 O.S. Supp. 2008,  
15 Section 87.1), is amended to read as follows:

16 Section 87.1 A. Whenever the production from any common source  
17 of supply of oil or natural gas in this state can be obtained only  
18 under conditions constituting waste or drainage not compensated by  
19 counterdrainage, then any person having the right to drill into and  
20 produce from ~~such~~ the common source of supply may, except as  
21 otherwise authorized or in this section provided, take ~~therefrom~~  
22 from the common source of supply only such the proportion of the oil  
23 or natural gas that may be produced therefrom without waste or  
24 without ~~such~~ drainage as the productive capacity of the well or

1 wells of any ~~such~~ person considered with the acreage properly  
2 assignable to each ~~such~~ well bears to the total productive  
3 capacities of the wells in ~~such~~ the common source of supply  
4 considered with the acreage properly assignable to each well  
5 therein.

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

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

1 Sections 86.1 et seq. of this title, shall govern all proceedings  
2 and hearings provided for by this section.

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

8 ~~(e)~~ D. 1. In establishing a well spacing or drilling unit for  
9 a common source of supply thereunder, except for horizontal units,  
10 the acreage to be embraced within each unit shall not exceed six  
11 hundred forty (640) acres for a gas well plus ten percent (10%)  
12 tolerance, unless a governmental section contains more than six  
13 hundred forty (640) acres in which case the unit may comprise the  
14 entire section. In establishing a well spacing or drilling unit for  
15 a common source of supply thereunder for a horizontal unit that will  
16 contain at least one lateral exceeding five thousand (5,000) feet in  
17 length, the acreage to be embraced within each unit shall not exceed  
18 one thousand two hundred eighty (1,280) acres for a gas well plus  
19 ten percent (10%) tolerance. Provided, however, fractional sections  
20 along the state boundary line and within the townships along the  
21 boundary where the survey west of the Indian Meridian meets the  
22 survey east of the Cimarron Meridian may be spaced with adjoining  
23 section unit, and the shape ~~thereof~~ of the well spacing or drilling  
24 unit shall be determined by the Commission from the evidence

1 introduced at the hearing, and the following facts, among other  
2 things, shall be material: ~~(1)~~ The

3 a. the lands embraced in the actual or prospective common  
4 source of supply; ~~(2)~~ ,

5 b. the plan of well spacing then being employed or  
6 contemplated in ~~said~~ the source of supply; ~~(3)~~ ,

7 c. the depth at which production from ~~said~~ the common  
8 source of supply has been or is expected to be found;  
9 ~~(4)~~ ,

10 d. the nature and character of the producing or  
11 prospective producing formation or formations; , and  
12 ~~(5)~~

13 e. any other available geological or scientific data  
14 pertaining to ~~said~~ the actual or prospective source of  
15 supply which may be of probative value to ~~said~~ the  
16 Commission in determining the proper spacing and well  
17 drilling unit therefor, with due and relative  
18 allowance for the correlative rights and obligations  
19 of the producers and royalty owners interested  
20 therein.

21 2. The order establishing ~~such~~ spacing or drilling units shall  
22 set forth: ~~(1)~~

23 a. the outside boundaries of the surface area included in  
24 ~~such~~ the order; ~~(2)~~ ,

1           b.    the size, form, and shape of the spacing or drilling  
2                   units so established, ~~(3)~~,

3           c.    the drilling pattern for the area, which shall be  
4                   uniform except as hereinbefore otherwise provided, for  
5                   in this subsection, and ~~(4)~~

6           d.    the location of the permitted well on each ~~such~~  
7                   spacing or drilling unit.

8           3.  To ~~such~~ the order shall be attached a plat upon which shall  
9 be indicated the foregoing information. Subject to other provisions  
10 of ~~this act~~, Section 81 et seq. of this title, the order  
11 establishing ~~such~~ spacing or drilling units shall direct that no  
12 more than one well shall thereafter be produced from the common  
13 source of supply on any unit so established, and that the well  
14 permitted on that unit shall be drilled at the location ~~thereon~~ as  
15 prescribed by the Commission, with ~~such~~ any exception as may be  
16 reasonably necessary where it is shown, upon application, notice and  
17 hearing in conformity with the procedural requirements of Sections  
18 86.1 et seq. of this title, and the Commission finds that any ~~such~~  
19 spacing unit is located on the edge of a pool and adjacent to a  
20 producing unit, or for some other reason that to require the  
21 drilling of a well at the prescribed location on ~~such~~ the spacing  
22 unit would be inequitable or unreasonable. Whenever ~~such~~ an  
23 exception is granted, the Commission shall adjust the allowable  
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1 production for ~~said~~ the spacing unit and take ~~such~~ other action as  
2 may be necessary to protect the rights of interested parties.

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

15 ~~(d)~~ E. The Commission shall have jurisdiction upon the filing  
16 of a proper application ~~therefor~~, and upon notice given as provided  
17 in subsection ~~(a)~~ above B of this section, to decrease the size of  
18 the well spacing units or to permit additional wells to be drilled  
19 within the established units, upon proper proof at ~~such~~ the hearing  
20 that ~~such~~ the modification or extension of the order establishing  
21 drilling or spacing units will prevent or assist in preventing the  
22 various types of wastes prohibited by statute, or any of ~~said~~ the  
23 wastes, or will protect or assist in protecting the correlative  
24 rights of persons interested in ~~said~~ the common source of supply, or

1 upon the filing of a proper application ~~therefor~~ to enlarge the area  
2 covered by the spacing order, if ~~such~~ proof discloses that the  
3 development or the trend of development indicates that ~~such~~ the  
4 common source of supply underlies an area not covered by the spacing  
5 order and ~~such~~ proof discloses that the applicant is an owner within  
6 the area or within a drilling and spacing unit contiguous to the  
7 area covered by the application. Except in the instance of  
8 reservoir dewatering as described ~~herein~~ in this section, the  
9 Commission shall not establish well spacing units of more than forty  
10 (40) acres in size covering common sources of supply of oil, the top  
11 of which lies less than four thousand (4,000) feet below the surface  
12 as determined by the original or discovery well in ~~said~~ the common  
13 source of supply, and the Commission shall not establish well  
14 spacing units of more than eighty (80) acres in size covering common  
15 sources of supply of oil, the top of which lies less than nine  
16 thousand nine hundred ninety (9,990) feet and more than four  
17 thousand (4,000) feet below the surface as determined by the  
18 original or discovery well in ~~said~~ the common source of supply. In  
19 the instance of reservoir dewatering to extract oil from reservoirs  
20 having initial water saturations at or above fifty percent (50%),  
21 the Commission may establish drilling and spacing units not to  
22 exceed six hundred forty (640) acres in size.

23 ~~(e)~~ F. The drilling of any well or wells into any common source  
24 of supply for the purpose of producing oil or gas therefrom, after a

1 spacing order has been entered by the Commission covering ~~such~~ the  
2 common source of supply, at a location other than that fixed by ~~said~~  
3 the order is hereby prohibited. The drilling of any well or wells  
4 into a common source of supply, covered by a pending spacing  
5 application, at a location other than that approved by a special  
6 order of the Commission authorizing the drilling of ~~such~~ the well is  
7 hereby prohibited. The operation of any well drilled in violation  
8 of any spacing so entered is also hereby prohibited. When two or  
9 more separately owned tracts of land are embraced within an  
10 established spacing unit, or where there are undivided interests  
11 separately owned, or both ~~such~~ separately owned tracts and undivided  
12 interests embraced within ~~such~~ the established spacing unit, the  
13 owners thereof may validly pool their interests and develop their  
14 lands as a unit. Where, however, ~~such~~ the owners have not agreed to  
15 pool their interests and where one ~~such~~ separate owner has drilled  
16 or proposes to drill a well on ~~said~~ the unit to the common source of  
17 supply, the Commission, to avoid the drilling of unnecessary wells,  
18 or to protect correlative rights, shall, upon a proper application  
19 ~~therefor~~ and a hearing thereon, require ~~such~~ the owners to pool and  
20 develop their lands in the spacing unit as a unit. The applicant  
21 shall give all the owners whose addresses are known or could be  
22 known through the exercise of due diligence at least fifteen (15)  
23 days' notice by mail, return receipt requested. The applicant shall  
24 also give notice by one publication, at least fifteen (15) days

1 prior to the hearing, in some newspaper of general circulation  
2 published in Oklahoma County, and by one publication, at least  
3 fifteen (15) days prior to the date of the hearing, in some  
4 newspaper published in the county, or in each county, if there ~~be~~  
5 are more than one county, in which the lands embraced within the  
6 spacing unit are situated. The applicant shall file proof of  
7 publication and an affidavit of mailing with the Commission prior to  
8 the hearing. All orders requiring ~~such~~ pooling shall be made after  
9 notice and hearing, and shall be upon ~~such~~ the terms and conditions  
10 as are just and reasonable and will afford to the owner of ~~such~~ the  
11 tract in the unit the opportunity to recover or receive without  
12 unnecessary expense ~~his~~ the just and fair share of the oil and gas  
13 of the owner. The portion of the production allocated to the owner  
14 of each tract or interests included in a well spacing unit formed by  
15 a pooling order shall, when produced, be considered as if produced  
16 by ~~such~~ the owner from the separately owned tract or interest by a  
17 well drilled thereon. ~~Such~~ The pooling order of the Commission  
18 shall make definite provisions for the payment of cost of the  
19 development and operation, which shall be limited to the actual  
20 expenditures required for such purpose not in excess of what are  
21 reasonable, including a reasonable charge for supervision. In the  
22 event of any dispute relative to ~~such~~ the costs, the Commission  
23 shall determine the proper costs after due notice to interested  
24 parties and a hearing thereon. The operator of ~~such~~ the unit, in

1 addition to any other right provided by the pooling order or orders  
2 of the Commission, shall have a lien on the mineral leasehold estate  
3 or rights owned by the other owners therein and upon their shares of  
4 the production from ~~such~~ the unit to the extent that costs incurred  
5 in the development and operation upon ~~said~~ the unit are a charge  
6 against ~~such~~ the interest by order of the Commission or by operation  
7 of law. ~~Such liens~~ Liens shall be separable as to each separate  
8 owner within ~~such~~ the unit, and shall remain liens until the owner  
9 or owners drilling or operating the well have been paid the amount  
10 due under the terms of the pooling order. The Commission is  
11 specifically authorized to provide that the owner or owners  
12 drilling, or paying for the drilling, or for the operation of a well  
13 for the benefit of all shall be entitled to production from ~~such~~ the  
14 well which would be received by the owner or owners for whose  
15 benefit the well was drilled or operated, after payment of royalty,  
16 until the owner or owners drilling or operating the well have been  
17 paid the amount due under the terms of the pooling order or order  
18 settling ~~such~~ the dispute. No part of the production or proceeds  
19 accruing to any owner of a separate interest in ~~such~~ the unit shall  
20 be applied toward payment of any cost properly chargeable to any  
21 other interest in ~~said~~ the unit.

22 For the purpose of this section, the owner or owners of oil and  
23 gas rights in and under an unleased tract of land shall be regarded  
24 as a lessee to the extent of a seven-eighths (7/8) interest in and

1 to said rights and a lessor to the extent of the remaining  
2 one-eighth (1/8) interest therein. Should the owners of separate  
3 tracts or interests embraced within a spacing unit fail to agree  
4 upon a pooling of their interests and the drilling of a well on the  
5 unit, and should it be established by final, unappealable judgment  
6 of a court of competent jurisdiction that the Commission is without  
7 authority to require pooling as provided for ~~herein~~ in this section,  
8 then, subject to all other applicable provisions of this act, the  
9 owner of each tract or interest embraced within a spacing unit may  
10 drill on ~~his~~ the separately owned tract of the owner, and the  
11 allowable production therefrom shall be that portion of the  
12 allowable for the full spacing unit as the area of ~~such~~ the  
13 separately owned tract bears to the full spacing unit.

14 In the event a producing well or wells are completed upon a unit  
15 where there are, or may thereafter be, two or more separately owned  
16 tracts, each royalty interest owner shall share in all production  
17 from the well or wells drilled within the unit, or in the gas well  
18 rental provided for in the lease covering ~~such~~ the separately owned  
19 tract or interest in lieu of the customary fixed royalty, to the  
20 extent of ~~such royalty interest owner's~~ the interest in the unit of  
21 the royalty interest owner. Each royalty interest owner's interest  
22 in the unit shall be defined as the percentage of royalty owned in  
23 each separate tract by the royalty owner, multiplied by the

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1 proportion that the acreage in each separately owned tract or  
2 interest bears to the entire acreage of the unit.

3 ~~(F)~~ G. Notwithstanding any provision of this section to the  
4 contrary, the Corporation Commission shall have jurisdiction upon  
5 the filing of a proper application therefor, and upon notice given  
6 as provided in subsection ~~(a)~~ above B of this section, to establish  
7 spacing rules for horizontally drilled oil wells whereby  
8 horizontally drilled oil wells may have well spacing units  
9 established of up to six hundred forty (640) acres plus tolerances  
10 and variances as allowed for gas wells pursuant to subsection ~~E~~ D of  
11 this section. For purposes of this subsection a "horizontally  
12 drilled oil well" shall mean an oil well drilled, completed or  
13 recompleted in a manner in which the horizontal component of the  
14 completion interval in the geological formation exceeds the vertical  
15 component thereof and which horizontal component extends a minimum  
16 of one hundred fifty (150) feet in the formation. The Corporation  
17 Commission shall promulgate rules necessary for the proper  
18 administration of this subsection.

19 SECTION 2. This act shall become effective November 1, 2010.  
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