HOUSE OF REPRESENTATIVES - FLOOR VERSION

STATE OF OKLAHOMA

2nd Session of the 53rd Legislature (2012)

COMMITTEE SUBSTITUTE
FOR ENGROSSED
SENATE BILL NO. 1189 By: Marlatt of the Senate

and

Jackson of the House

COMMITTEE SUBSTITUTE

An Act relating to oil and gas; amending 52 O.S. 2011, Section 87.6, which relates to the 2011 Shale Reservoir Development Act; updating statutory references; modifying definition; and declaring an emergency.

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

SECTION 1. AMENDATORY 52 O.S. 2011, Section 87.6, is amended to read as follows:

Section 87.6 A. Sections ~~2 through 5 of this act~~ 87.6 through 87.9 of this title shall be known and may be cited as the "2011 Shale Reservoir Development Act".

B. As used in the 2011 Shale Reservoir Development Act:

UNDERLINED language denotes Amendments to present Statutes.
BOLD FACE CAPITALIZED language denotes Committee Amendments.
~~Strike thru~~ language denotes deletion from present Statutes.

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

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

3. "Associated common source of supply" means a common source of supply which is subject to a drilling and spacing unit formed by the Corporation Commission and located in all or a portion of the lands in which the completion interval of a multiunit horizontal well is located, <u>or which is located within the boundaries of a unit created through a horizontal well unitization,</u> and which is immediately adjoining the shale common source of supply in which the completion interval of the ~~multiunit~~ horizontal well is located, and which is inadvertently encountered in the drilling of the lateral of such ~~multiunit~~ horizontal well when such well is drilled out of or exits, whether on one or multiple occasions, such shale common source of supply;

4. "Commission" means the Corporation Commission;

5. "Completion interval" means, for an open hole completion in a horizontal well, the interval from the point of entry to the terminus and, for a cased and cemented completion in a horizontal

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well, the interval from the first perforations to the last perforations;

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

7. "Horizontal well unitization" means a unitization for a shale reservoir created pursuant to Section ~~5 of this act~~ 87.9 of this title;

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

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

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

11. "Plan of development" means the proposed plan for developing the shale reservoir unitized pursuant to Section ~~5 of~~

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~~this act~~ 87.9 of this title, which plan, based upon the information and knowledge then available to the applicant, shall include:

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

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

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

d. any other specific terms, provisions, conditions and requirements set forth in Section ~~5 of this act~~ 87.9 of this title or determined by the Commission to be reasonably necessary or proper to effectuate or accomplish the purpose of Section ~~5 of this act~~ 87.9 of this title;

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

13. "PRSA" means the Production Revenue Standards Act~~, Sections 570.1 through 570.15 of Title 52 of the Oklahoma Statutes~~;

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

15. "Terminus" means the end point of the borehole of a horizontal well in the shale reservoir;

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

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

18. "Unit" means a drilling and spacing unit for a single common source of supply created pursuant to Section 87.1 of ~~Title 52 of the Oklahoma Statutes~~ <u>this title</u> or a horizontal well unitization created pursuant to Section ~~5 of this act~~ <u>87.9 of this title</u>;

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

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

SECTION 2. 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.

COMMITTEE REPORT BY: COMMITTEE ON ENERGY AND UTILITY REGULATION, dated 03/28/2012 - DO PASS, As Amended.

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