

**BILL SUMMARY**  
1st Session of the 53rd Legislature

<b>Bill No.:</b>	<b>SB 242</b>
<b>Version:</b>	<b>Engrossed</b>
<b>Request Number:</b>	
<b>Author:</b>	<b>Jackson</b>
<b>Date:</b>	<b>4/5/2011</b>
<b>Impact:</b>	<b>Minimal impact to Commission</b>

**Research Analysis**

Engrossed SB 242 relates to shale reservoir development and includes eight sections as follows: Section 1 details legislative findings related to horizontal drilling, Sections 2 through 5 are new laws to be cited as the 2011 Shale Reservoir Development Act (the Act), Sections 6 and 7 amend language in current state statutes, and Section 8 includes emergency language.

The Act outlines the jurisdiction of the Corporation Commission with regards to multi-unit horizontal wells and horizontal well unitizations. Under provisions of the Act, the Commission is authorized to allow multi-unit horizontal wells under certain conditions, and may unitize a shale reservoir for the drilling of horizontal wells under certain limited circumstances and conditions. With respect to multiunit horizontal wells, provisions related to ownership, allocation of costs, comingled production, and proceeds are addressed in the Act, as are details of the application, notice, and retained jurisdiction by the Commission. With respect to unitization of shale reservoirs, the Act provides the prerequisites for unitization, the size of a unit, outlines the ownership of oil and gas rights within the unit, and details what must be included in the plan of development. Additionally, the Act describes the provisions of the order of the Commission, stipulates consent by owners, and specifies timing related to the notice of hearing. Details related to pooling of a unit, including the effect on existing spacing units and pooling orders, are covered by the Act, as are provisions for payment of proceeds, participation by the Commissioners of the Land Office and, and retained jurisdiction by the Commission.

Section 6 of SB 242 amends language in current statute by adding that acreage to be embraced within each unit may include acreage from more than one governmental section. Modifications are also made to provisions for exceeding certain acreage limitations. Amendatory language also adds to the jurisdiction of the Commission the authority to increase the size or modify the shape of the well spacing units. Section 7 of the measure adds non-primary production language to current statutes.

Prepared By: Alexandra Edwards

**Fiscal Analysis**

Engrossed SB 242 creates the 2011 Shale Reservoir Development Act. According to officials at the Corporation Commission, the costs of implementing the measure would be \$10,000 or less for IT adjustments and the staff time involved in the formation and implementation of new rules.

Prepared By: Mark Nichols

**Other Considerations**

None