

1 STATE OF OKLAHOMA

2 1st Session of the 54th Legislature (2013)

3 SENATE BILL 223

By: Bingman

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5
6 AS INTRODUCED

7 An Act relating to oil and gas; amending 52 O.S.
8 2011, Section 87.6, as amended by Section 1, Chapter
9 264, O.S.L. 2012 (52 O.S. Supp. 2012, Section 87.6),
10 which relates to the 2011 Shale Reservoir Development
11 Act; clarifying statutory language; and declaring an
12 emergency.

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

12 SECTION 1. AMENDATORY 52 O.S. 2011, Section 87.6, as
13 amended by Section 1, Chapter 264, O.S.L. 2012 (52 O.S. Supp. 2012,
14 Section 87.6), is amended to read as follows:

15 Section 87.6. A. Sections 87.6 through 87.9 of this title
16 shall be known and may be cited as the "2011 Shale Reservoir
17 Development Act".

18 B. As used in ~~the 2011 Shale Reservoir Development Act~~ this
19 act:

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

23 2. "Application" means a written request filed by an owner of
24 the right to drill seeking approval to drill, complete and produce a

1 multiunit horizontal well or to create a horizontal well
2 unitization;

3 3. "Associated common source of supply" means a common source
4 of supply which is subject to a drilling and spacing unit formed by
5 the Corporation Commission and located in all or a portion of the
6 lands in which the completion interval of a multiunit horizontal
7 well is located, or which is located within the boundaries of a unit
8 created through a horizontal well unitization, and which is
9 immediately adjoining the shale common source of supply in which the
10 completion interval of the horizontal well is located, and which is
11 inadvertently encountered in the drilling of the lateral of such
12 horizontal well when such well is drilled out of or exits, whether
13 on one or multiple occasions, such shale common source of supply;

14 4. "Commission" means the Corporation Commission;

15 5. "Completion interval" means, for an open hole completion in
16 a horizontal well, the interval from the point of entry to the
17 terminus and, for a cased and cemented completion in a horizontal
18 well, the interval from the first perforations to the last
19 perforations;

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

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

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

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

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

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

18 a. a map or maps indicating the location of each existing
19 well in the proposed unit and the anticipated location
20 of each horizontal well proposed to be drilled in the
21 proposed unit that is anticipated to be necessary,
22 based upon the information and knowledge then
23 available to the applicant, for the full and efficient
24 development and operation of the proposed unit for the

1 recovery of oil and gas from the shale reservoir
2 within the proposed unit,

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

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

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

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

16 13. "PRSA" means the Production Revenue Standards Act;

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

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

23 16. "Wellbore royalty interest" means, for each separate
24 multiunit horizontal well, the sum of resulting products of each

1 affected unit's royalty share for that unit, as defined by the PRSA,
2 multiplied by that unit's allocation factor for production and
3 proceeds;

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

8 18. "Unit" means a drilling and spacing unit for a single
9 common source of supply created pursuant to Section 87.1 of this
10 title or a horizontal well unitization created pursuant to Section
11 87.9 of this title;

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

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

18 SECTION 2. It being immediately necessary for the preservation
19 of the public peace, health and safety, an emergency is hereby
20 declared to exist, by reason whereof this act shall take effect and
21 be in full force from and after its passage and approval.

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