

SENATE FLOOR VERSION

March 2, 2017

SENATE BILL NO. 669

By: Marlatt

An Act relating to oil and gas; amending 52 O.S. 2011, Section 87.6, as last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section 87.6), which relates to definitions; modifying requirements of plan of development; and providing an effective date.

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

SECTION 1. AMENDATORY 52 O.S. 2011, Section 87.6, as last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section 87.6), is amended to read as follows:

Section 87.6. A. Sections 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:

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

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

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

16 4. "Commission" means the Corporation Commission;

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

22 6. "Horizontal well" means a well drilled, completed, or
23 recompleted with one or more laterals which, for at least one
24 lateral, the horizontal component of the completion interval exceeds

1 the vertical component of the completion interval and the horizontal
2 component extends a minimum of one hundred fifty (150) feet in the
3 formation;

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

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

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

10 10. "Marmaton common source of supply" means a common source of
11 supply located within Texas and Beaver Counties and designated as
12 the Marmaton by the Commission through rule or order;

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

18 12. "Plan of development" means the proposed plan for
19 developing the shale reservoir unitized pursuant to Section 87.9 of
20 this title, which plan, based upon the information and knowledge
21 then available to the applicant, shall include:

- 22 a. a map or maps indicating the location of each existing
23 well in the proposed unit and the anticipated location
24 of each horizontal well proposed to be drilled in the

1 proposed unit that is anticipated to be necessary,
2 based upon the information and knowledge then
3 available to the applicant, for the full and efficient
4 development and operation of the proposed unit for the
5 recovery of oil and gas from the shale reservoir
6 within the proposed unit,

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

10 c. the anticipated timing and anticipated sequence of
11 drilling of each horizontal well in the proposed unit,
12 including the conditions upon which the unit will
13 terminate, and

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

19 13. "Point of entry" means the point at which the borehole of a
20 horizontal well first intersects the top of the targeted reservoir;

21 14. "PRSA" means the Production Revenue Standards Act;

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

3 16. "Targeted reservoir" means any shale reservoir or any
4 portion of the Marmaton common source of supply;

5 17. "Terminus" means the end point of the borehole of a
6 horizontal well ;

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

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

16 20. "Unit" means a drilling and spacing unit for a single
17 common source of supply created pursuant to Section 87.1 of this
18 title or a horizontal well unitization created pursuant to Section
19 87.9 of this title;

20 21. "Unit's royalty contribution factor" means the royalty
21 share for an affected unit, as defined by PRSA, multiplied by that
22 unit's allocation factor, then divided by the total wellbore royalty
23 interest; and
24

1 22. "Vertical component" means the calculated vertical distance
2 from the point of entry to the terminus.

3 SECTION 2. This act shall become effective November 1, 2017.

4 COMMITTEE REPORT BY: COMMITTEE ON ENERGY
5 March 2, 2017 - DO PASS
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