

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 SENATE BILL 680

By: Treat

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5  
6 AS INTRODUCED

7 An Act relating to oil and gas; amending 52 O.S.  
8 2011, Sections 87.6, as last amended by Section 1,  
9 Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section  
10 87.6), 87.7, and 87.1, as amended by Section 4,  
11 Chapter 201, O.S.L. 2012 (52 O.S. Supp. 2016, Section  
12 87.1), which relate to definitions, Corporation  
13 Commission jurisdiction; modifying title of act;  
14 defining terms; amending definitions; updating  
15 statutory references; and providing an effective  
16 date.

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

18 SECTION 1. AMENDATORY 52 O.S. 2011, Section 87.6, as  
19 last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp.  
20 2016, Section 87.6), is amended to read as follows:

21 Section 87.6. A. Sections 87.6 through 87.9 of this title  
22 shall be known and may be cited as the "~~2011 Shale Reservoir~~  
23 Extended Lateral Horizontal Well Development Act".

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

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

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

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

20        4. "Commission" means the Corporation Commission;

21        5. "Completion interval" means, for an open hole completion in  
22 a horizontal well, the interval from the point of entry to the  
23 terminus and, for a cased and cemented completion in a horizontal  
24

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

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

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

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

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

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

18 11. "Multiunit horizontal well" means a horizontal well in a  
19 targeted reservoir wherein the completion interval of the well is  
20 located in more than one unit formed for the same targeted  
21 reservoir, with the well being completed in and producing from such  
22 targeted reservoir in two or more of such units;

23 12. "Plan of development" means the proposed plan for  
24 developing the shale reservoir unitized pursuant to Section 87.9 of

1 this title, which plan, based upon the information and knowledge  
2 then available to the applicant, shall include:

- 3 a. a map or maps indicating the location of each existing  
4 well in the proposed unit and the anticipated location  
5 of each horizontal well proposed to be drilled in the  
6 proposed unit that is anticipated to be necessary,  
7 based upon the information and knowledge then  
8 available to the applicant, for the full and efficient  
9 development and operation of the proposed unit for the  
10 recovery of oil and gas from the shale reservoir  
11 within the proposed unit,
- 12 b. any applicable proposed allocation factor or factors  
13 for allocating the costs, production and proceeds from  
14 the proposed unit,
- 15 c. the anticipated timing and anticipated sequence of  
16 drilling of each horizontal well in the proposed unit,  
17 and
- 18 d. any other specific terms, provisions, conditions and  
19 requirements set forth in Section 87.9 of this title  
20 or determined by the Commission to be reasonably  
21 necessary or proper to effectuate or accomplish the  
22 purpose of Section 87.9 of this title;

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

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

2 15. "Shale reservoir" means a common source of supply which is  
3 a shale formation that is so designated by the Commission through  
4 rule or order, and ~~shall~~ may also for good cause shown, include any  
5 associated common source of supply in relation thereto, as defined  
6 in this section;

7 16. "Targeted reservoir" means any shale reservoir or any  
8 portion of the Marmaton common source of supply or any other common  
9 source of supply which has been:

10 a. designated by the Commission through a rule or  
11 emergency rules a common source of supply that is  
12 suited for development through a multiunit horizontal  
13 well, or

14 b. determined by the Commission as part of the order  
15 approving the multiunit horizontal well as a common  
16 source of supply that is appropriately suited for  
17 development through a multiunit horizontal well for  
18 that particular application.

19 In designating or determining whether a particular common source  
20 of supply should be considered a targeted reservoir, the Commission  
21 may limit its designation to certain geographical areas;

22 17. "Terminus" means the end point of the borehole of a  
23 horizontal well;

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

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

10 20. "Unit" means a drilling and spacing unit for a single  
11 common source of supply created pursuant to Section 87.1 of this  
12 title or ~~a horizontal well unitization~~ an extended lateral  
13 horizontal unit created pursuant to Section 87.9 of this title;

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

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

20 SECTION 2. AMENDATORY 52 O.S. 2011, Section 87.7, is  
21 amended to read as follows:

22 Section 87.7. Corporation Commission Jurisdiction.

23 The Corporation Commission shall have jurisdiction, upon the  
24 filing of a proper application therefor, to permit the drilling,

1 completing and producing of a multiunit horizontal well in  
2 conformity with Section 4 87.8 of this ~~act~~ title, or to create a  
3 horizontal well unitization in conformity with Section ~~5~~ 87.9 of  
4 this ~~act~~ title, if the Commission finds that the multiunit  
5 horizontal well or the horizontal well unitization will prevent  
6 waste and will protect the correlative rights of the owners of oil  
7 and gas rights.

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

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