

**OKLAHOMA STATE SENATE
JOINT
COMMITTEE REPORT**

May 9, 2017

JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

SB 867

By: Schulz of the Senate and McCall and McBride of the House

Title: Oil and gas; creating Oklahoma Energy Jobs Act of 2017; declaring an emergency.

Recommendation: **DO PASS AS AMENDED**

Aye: Allen, Bice, Boggs, Brown, Dahm, Daniels, Dugger, Fry, Griffin, Holt, Jech, Kidd, Leewright, Marlatt, Newberry, Paxton, Pederson, Pemberton, Pugh, Rader, Sharp, Shaw, Silk, Standridge, Stanislawski, Sykes, Thompson, Yen, Fields, David, Schulz, Treat

Nay: Bergstrom, Brecheen, Dossett, Floyd, Matthews, Pittman, Scott, Simpson, Smalley, Sparks

Pass:

Senator Kim David, Chair

Committee Substitute, motion by Senator DAVID - Adopted (Request No: 1859)

OKLAHOMA HOUSE OF REPRESENTATIVES
COMMITTEE REPORT

JOINT COMMITTEE ON APPROPRIATIONS AND BUDGET

SB867

By: McCall et al of the House

Schulz et al of the Senate

Title: Oil and gas; creating Oklahoma Energy Jobs Act of 2017;
declaring an emergency.

Coauthored By:

Recommendation: **DO PASS AS AMENDED BY CS**

Amendments:

1. Committee Substitute Attached

 Chr.
Representative Leslie Osborn

YEAS: 15

Bennett (J), Calvey, Cockroft, Echols, Henke, Jordan, O'Donnell, Ortega, Osborn (L), Pfeiffer, Roberts (D), Russ, Sanders, Sears, Wallace

NAYS: 8

Casey, Dunnington, Kouplen, Loring, Martin, Murphey, Ownbey, Virgin

CONSTITUTIONAL PRIVILEGE: 0

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

COMMITTEE SUBSTITUTE
FOR

SENATE BILL NO. 867

By: Schulz of the Senate

and

McCall and McBride of the
House

COMMITTEE SUBSTITUTE

An Act relating to oil and gas; creating the Oklahoma Energy Jobs Act of 2017; amending 52 O.S. 2011, Sections 87.1, as amended by Section 4, Chapter 201, O.S.L. 2012 (52 O.S. Supp. 2016, Section 87.1), 87.6, as last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section 87.6), 87.7, 87.8, as amended by Section 2, Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section 87.8), and 87.9, which relate to well spacing and drilling units; definitions, Corporation Commission jurisdiction to permit multiunit horizontal wells, conditions for multiunit horizontal wells and Commission authority to unitize certain reservoirs; authorizing the Commission to establish rules for horizontally drilled oil or gas wells of certain size; establishing criteria for creation and continuation of horizontal spacing unit of certain size; providing for rights of owners; renaming the 2011 Shale Reservoir Development Act the Extended Horizontal Well Development Act; modifying definitions; updating references; authorizing the Commission to allow multiunit horizontal wells in targeted reservoirs and adjacent common sources of supply upon making certain finding; providing for circumstances, conditions and requisites for unitizing targeted reservoirs; providing for noncodification; and declaring an emergency.

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

2 SECTION 1. NEW LAW A new section of law not to be
3 codified in the Oklahoma Statutes reads as follows:

4 This act shall be known and may be cited as the "Oklahoma Energy
5 Jobs Act of 2017".

6 SECTION 2. AMENDATORY 52 O.S. 2011, Section 87.1, as
7 amended by Section 4, Chapter 201, O.S.L. 2012 (52 O.S. Supp. 2016,
8 Section 87.1), is amended to read as follows:

9 Section 87.1. Whenever the production from any common source
10 of supply of oil or natural gas in this state can be obtained only
11 under conditions constituting waste or drainage not compensated by
12 counterdrainage, then any person having the right to drill into and
13 produce from such common source of supply may, except as otherwise
14 authorized or in this section provided, take therefrom only such
15 proportion of the oil or natural gas that may be produced therefrom
16 without waste or without such drainage as the productive capacity of
17 the well or wells of any such person considered with the acreage
18 properly assignable to each such well bears to the total productive
19 capacities of the wells in such common source of supply considered
20 with the acreage properly assignable to each well therein.

21 (a) To prevent or to assist in preventing the various types of
22 waste of oil or gas prohibited by statute, or any wastes, or to
23 protect or assist in protecting the correlative rights of interested
24 parties, the Corporation Commission, upon a proper application and

1 notice given as hereinafter provided, and after a hearing as
2 provided in the notice, shall have the power to establish well
3 spacing and drilling units of specified and approximately uniform
4 size and shape covering any common source of supply, or prospective
5 common source of supply, of oil or gas within the State of Oklahoma;
6 provided, that the Commission may authorize the drilling of an
7 additional well or wells on any spacing and drilling unit or units
8 or any portion or portions thereof or may establish, reestablish, or
9 reform well spacing and drilling units of different sizes and shapes
10 when the Commission determines that a common source of supply
11 contains predominantly oil underlying an area or areas and contains
12 predominantly gas underlying a different area or areas; provided
13 further that the units in the predominantly oil area or areas shall
14 be of approximately uniform size and shape, and the units in the
15 predominantly gas area or areas shall be of approximately uniform
16 size and shape, except that the units in the gas area or areas may
17 be of nonuniform size and shape when they adjoin the units in the
18 oil area or areas; provided further that the drilling pattern for
19 such nonuniform units need not be uniform, and provided further that
20 the Commission shall adjust the allowable production within the
21 common source of supply, or any part thereof, and take such other
22 action as may be necessary to protect the rights of interested
23 parties. Any order issued pursuant to the provisions hereof may be
24 entered after a hearing upon the petition of any person owning an

1 interest in the minerals in lands embraced within such common source
2 of supply, or the right to drill a well for oil or gas on the lands
3 embraced within such common source of supply, or on the petition of
4 the Conservation Officer of the State of Oklahoma. When such a
5 petition is filed with the Commission, the Commission shall give at
6 least fifteen (15) days' notice of the hearing to be held upon such
7 petition by one publication, at least fifteen (15) days prior to the
8 hearing, in some newspaper of general circulation published in
9 Oklahoma County, and by one publication, at least fifteen (15) days
10 prior to the date of the hearing, in some newspaper published in the
11 county, or in each county, if there be more than one, in which the
12 lands embraced within the application are situated. Except as to
13 the notice of hearing on such a petition, the procedural
14 requirements of Section 86.1 et seq. of this title shall govern all
15 proceedings and hearings provided for by this section.

16 (b) In case of a spacing unit of one hundred sixty (160) acres
17 or more, no oil and/or gas leasehold interest outside the spacing
18 unit involved may be held by production from the spacing unit more
19 than ninety (90) days beyond expiration of the primary term of the
20 lease.

21 (c) In establishing a well spacing or drilling unit for a
22 common source of supply thereunder, the acreage to be embraced
23 within each unit may include acreage from more than one governmental
24 section, but shall not exceed six hundred forty (640) acres for a

1 gas well plus ten percent (10%) tolerance, unless the unit is a
2 governmental section and the governmental section contains more than
3 six hundred forty (640) acres in which case the unit may comprise
4 the entire section. Provided, however, fractional sections along
5 the state boundary line and within the townships along the boundary
6 where the survey west of the Indian Meridian meets the survey east
7 of the Cimarron Meridian may be spaced with adjoining section unit,
8 and the shape thereof shall be determined by the Commission from the
9 evidence introduced at the hearing, and the following facts, among
10 other things, shall be material: (1) ~~The~~ the lands embraced in the
11 actual or prospective common source of supply; (2) the plan of well
12 spacing then being employed or contemplated in the source of supply;
13 (3) the depth at which production from the common source of supply
14 has been or is expected to be found; (4) the nature and character of
15 the producing or prospective producing formation or formations; and
16 (5) any other available geological or scientific data pertaining to
17 the actual or prospective source of supply which may be of probative
18 value to the Commission in determining the proper spacing and well
19 drilling unit therefor, with due and relative allowance for the
20 correlative rights and obligations of the producers and royalty
21 owners interested therein.

22 The order establishing such spacing or drilling units shall set
23 forth: (1) the outside boundaries of the surface area included in
24 such order; (2) the size, form, and shape of the spacing or drilling

1 units so established; (3) the drilling pattern for the area, which
2 shall be uniform except as hereinbefore provided; and (4) the
3 location of the permitted well on each such spacing or drilling
4 unit. To such order shall be attached a plat upon which shall be
5 indicated the foregoing information. Subject to other provisions of
6 Section 86.1 et seq. of this title, the order establishing such
7 spacing or drilling units shall direct that no more than one well
8 shall thereafter be produced from the common source of supply on any
9 unit so established, and that the well permitted on that unit shall
10 be drilled at the location thereon as prescribed by the Commission,
11 with such exception as may be reasonably necessary where it is
12 shown, upon application, notice and hearing in conformity with the
13 procedural requirements of Section 86.1 et seq. of this title, and
14 the Commission finds that any such spacing unit is located on the
15 edge of a pool and adjacent to a producing unit, or for some other
16 reason that to require the drilling of a well at the prescribed
17 location on such spacing unit would be inequitable or unreasonable.
18 Whenever such an exception is granted, the Commission shall adjust
19 the allowable production for the spacing unit and take such other
20 action as may be necessary to protect the rights of interested
21 parties.

22 ~~Any~~ Except for horizontal spacing units allowed by subsection
23 (f) of this section, any well spacing or drilling unit for a common
24 source of supply thereunder which exceeds six hundred forty (640)

1 acres for a gas well plus ten percent (10%) tolerance or exceeds the
2 total amount of acreage contained in a governmental section, and is
3 not in production or in the process of drilling development on the
4 effective date of this act shall be de-spaced. However, fractional
5 sections along the state boundary line and within the townships
6 along the boundary where the survey west of the Indian Meridian
7 meets the survey east of the Cimarron Meridian may be spaced with
8 adjoining section unit, and the shape thereof shall be determined by
9 the Commission.

10 (d) The Commission shall have jurisdiction upon the filing of a
11 proper application therefor, and upon notice given as provided in
12 subsection (a) of this section, to decrease the size of the well
13 spacing units or to permit additional wells to be drilled within the
14 established units, or to increase the size or modify the shape of
15 the well spacing units, upon proper proof at such hearing that such
16 modification or extension of the order establishing drilling or
17 spacing units will prevent or assist in preventing the various types
18 of wastes prohibited by statute, or any of the wastes, or will
19 protect or assist in protecting the correlative rights of persons
20 interested in the common source of supply, or upon the filing of a
21 proper application therefor to enlarge the area covered by the
22 spacing order, if such proof discloses that the development or the
23 trend of development indicates that such common source of supply
24 underlies an area not covered by the spacing order and such proof

discloses that the applicant is an owner within the area or within a drilling and spacing unit contiguous to the area covered by the application. Except in the instance of reservoir dewatering as described herein, the Commission shall not establish well spacing units of more than forty (40) acres in size covering common sources of supply of oil, the top of which lies less than four thousand (4,000) feet below the surface as determined by the original or discovery well in the common source of supply, and the Commission shall not establish well spacing units of more than eighty (80) acres in size covering common sources of supply of oil, the top of which lies less than nine thousand nine hundred ninety (9,990) feet and more than four thousand (4,000) feet below the surface as determined by the original or discovery well in the common source of supply. In the instance of reservoir dewatering to extract oil from reservoirs having initial water saturations at or above fifty percent (50%), the Commission may establish drilling and spacing units not to exceed six hundred forty (640) acres in size.

(e) The drilling of any well or wells into any common source of supply for the purpose of producing oil or gas therefrom, after a spacing order has been entered by the Commission covering such common source of supply, at a location other than that fixed by the order is hereby prohibited. The drilling of any well or wells into a common source of supply, covered by a pending spacing application, at a location other than that approved by a special order of the

1 Commission authorizing the drilling of such well is hereby
2 prohibited. The operation of any well drilled in violation of any
3 spacing so entered is also hereby prohibited. When two or more
4 separately owned tracts of land are embraced within an established
5 spacing unit, or where there are undivided interests separately
6 owned, or both such separately owned tracts and undivided interests
7 embraced within such established spacing unit, the owners thereof
8 may validly pool their interests and develop their lands as a unit.
9 Where, however, such owners have not agreed to pool their interests
10 and where one such separate owner has drilled or proposes to drill a
11 well on the unit to the common source of supply, the Commission, to
12 avoid the drilling of unnecessary wells, or to protect correlative
13 rights, shall, upon a proper application therefor and a hearing
14 thereon, require such owners to pool and develop their lands in the
15 spacing unit as a unit. The applicant shall give all the owners
16 whose addresses are known or could be known through the exercise of
17 due diligence at least fifteen (15) days' notice by mail, return
18 receipt requested. The applicant shall also give notice by one
19 publication, at least fifteen (15) days prior to the hearing, in
20 some newspaper of general circulation published in Oklahoma County,
21 and by one publication, at least fifteen (15) days prior to the date
22 of the hearing, in some newspaper published in the county, or in
23 each county, if there be more than one, in which the lands embraced
24 within the spacing unit are situated. The applicant shall file

1 proof of publication and an affidavit of mailing with the Commission
2 prior to the hearing. All orders requiring such pooling shall be
3 made after notice and hearing, and shall be upon such terms and
4 conditions as are just and reasonable and will afford to the owner
5 of such tract in the unit the opportunity to recover or receive
6 without unnecessary expense the owner's just and fair share of the
7 oil and gas. The portion of the production allocated to the owner
8 of each tract or interests included in a well spacing unit formed by
9 a pooling order shall, when produced, be considered as if produced
10 by such owner from the separately owned tract or interest by a well
11 drilled thereon. Such pooling order of the Commission shall make
12 definite provisions for the payment of cost of the development and
13 operation, which shall be limited to the actual expenditures
14 required for such purpose not in excess of what are reasonable,
15 including a reasonable charge for supervision. In the event of any
16 dispute relative to such costs, the Commission shall determine the
17 proper costs after due notice to interested parties and a hearing
18 thereon. The operator of such unit, in addition to any other right
19 provided by the pooling order or orders of the Commission, shall
20 have a lien on the mineral leasehold estate or rights owned by the
21 other owners therein and upon their shares of the production from
22 such unit to the extent that costs incurred in the development and
23 operation upon the unit are a charge against such interest by order
24 of the Commission or by operation of law. Such liens shall be

1 separable as to each separate owner within such unit, and shall
2 remain liens until the owner or owners drilling or operating the
3 well have been paid the amount due under the terms of the pooling
4 order. The Commission is specifically authorized to provide that
5 the owner or owners drilling, or paying for the drilling, or for the
6 operation of a well for the benefit of all shall be entitled to
7 production from such well which would be received by the owner or
8 owners for whose benefit the well was drilled or operated, after
9 payment of royalty, until the owner or owners drilling or operating
10 the well have been paid the amount due under the terms of the
11 pooling order or order settling such dispute. No part of the
12 production or proceeds accruing to any owner of a separate interest
13 in such unit shall be applied toward payment of any cost properly
14 chargeable to any other interest in the unit.

15 For the purpose of this section, the owner or owners of oil and
16 gas rights in and under an unleased tract of land shall be regarded
17 as a lessee to the extent of a seven-eighths (7/8) interest in and
18 to the rights and a lessor to the extent of the remaining one-eighth
19 (1/8) interest therein, unless and until the owner or owners make an
20 election or are deemed to make an election not to participate under
21 a pooling order issued by the Commission, at which time each such
22 owner shall be considered a lessor, subject to the judicially
23 recognized implied covenant to market found to exist by the courts
24 of this state in oil and gas leases covering lands located in this

1 state, to the extent of the full royalty percentage elected under
2 the pooling order. Should the owners of separate tracts or
3 interests embraced within a spacing unit fail to agree upon a
4 pooling of their interests and the drilling of a well on the unit,
5 and should it be established by final, unappealable judgment of a
6 court of competent jurisdiction that the Commission is without
7 authority to require pooling as provided for herein, then, subject
8 to all other applicable provisions of this act, the owner of each
9 tract or interest embraced within a spacing unit may drill on his or
10 her separately owned tract, and the allowable production therefrom
11 shall be that portion of the allowable for the full spacing unit as
12 the area of such separately owned tract bears to the full spacing
13 unit.

14 In the event a producing well or wells are completed upon a unit
15 where there are, or may thereafter be, two or more separately owned
16 tracts, each royalty interest owner shall share in all production
17 from the well or wells drilled within the unit, or in the gas well
18 rental provided for in the lease covering such separately owned
19 tract or interest in lieu of the customary fixed royalty, to the
20 extent of such royalty interest owner's interest in the unit. Each
21 royalty interest owner's interest in the unit shall be defined as
22 the percentage of royalty owned in each separate tract by the
23 royalty owner, multiplied by the proportion that the acreage in each
24

1 separately owned tract or interest bears to the entire acreage of
2 the unit.

3 (f) Notwithstanding any provision of this ~~section~~ title to the
4 contrary, the Corporation Commission shall have jurisdiction upon the
5 filing of a proper application therefor, and upon notice given as
6 provided in subsection (a) of this section, to establish spacing
7 rules for horizontally drilled oil or gas wells whereby horizontally
8 drilled oil or gas wells may have well spacing units established of
9 up to ~~six hundred forty (640)~~ one thousand two hundred eighty (1,280)
10 acres plus tolerances and variances as allowed ~~for gas wells~~ pursuant
11 to subsection (c) of this section. For purposes of this subsection a
12 "horizontally drilled oil or gas well" shall mean an oil or gas well
13 drilled, completed or recompleted in a manner in which the horizontal
14 component of the completion interval in the geological formation
15 exceeds the vertical component thereof and which horizontal component
16 extends a minimum of one hundred fifty (150) feet in the formation.
17 The Corporation Commission shall promulgate rules necessary for the
18 proper administration of this subsection. For the creation and
19 continuation of any horizontal spacing unit pursuant to this
20 subsection that exceeds six hundred forty (640) acres plus tolerances
21 and variances as allowed pursuant to subsection (c) of this section:

22 (1) absent a showing of reasonable cause, the unit shall include
23 all lands within each governmental section to be included in the
24 horizontal spacing unit;

1 (2) the applicant or applicants requesting the Commission to
2 form the horizontal spacing unit must be the owner of an interest in
3 the oil, gas and other minerals in each of the governmental sections
4 to be included in the horizontal spacing unit;

5 (3) the applicant or applicants requesting the Commission to
6 form a horizontal spacing unit must include in the application the
7 basis for requesting a spacing unit size greater than six hundred
8 forty (640) acres plus tolerances and variances as allowed pursuant
9 to subsection (c) of this section. Absent a showing of reasonable
10 cause, the contemplated horizontal lateral length for the initial
11 unit well in the horizontal spacing unit shall be at least seven
12 thousand five hundred (7,500) feet. If the lateral length of the
13 initial horizontal well does not actually measure a minimum of seven
14 thousand five hundred (7,500) feet, the Commission shall require the
15 applicant to show cause as to why such spacing order should not be
16 modified, superseded or vacated under the circumstances; and

17 (4) absent a showing of reasonable cause, the drilling of a
18 multiunit horizontal well pursuant to Section 87.8 of this title
19 shall not be available as the initial unit well for a horizontal
20 spacing unit unless the contemplated completed portion of the lateral
21 for said well is to exceed ten thousand five hundred sixty (10,560)
22 feet.

23 (g) A horizontal spacing unit may be established for a common
24 source of supply for which there are already established non-

1 horizontal drilling and spacing units. A horizontal spacing unit
2 formed under subsection (f) of this section may exist concurrently
3 with any previously formed nonhorizontal drilling and spacing unit,
4 or any portion thereof, such that each concurrently existing unit may
5 be separately developed with a well drilled into, completed in and
6 hydrocarbons produced from the same common source of supply in each
7 such concurrently existing unit, with production from each such well
8 to be governed by and allocated pursuant to the applicable unit.
9 Subject to all of the provisions of this section, a pooling order for
10 a horizontal spacing unit which overlies an existing, producing
11 nonhorizontal drilling and spacing unit, shall provide that, if a
12 working interest owner in such producing nonhorizontal drilling and
13 spacing unit does not agree to develop the horizontal spacing unit,
14 the owner shall relinquish its nonparticipating working interest in
15 the horizontal spacing unit while retaining all other rights,
16 including the right to concurrently develop the producing
17 nonhorizontal unit.

18 (h) Notwithstanding anything in this title or a pooling order
19 to the contrary, each party owning a right to participate in
20 development of a horizontal well described in this subsection with a
21 vested interest as to which there is production in the geographical
22 area of the spacing unit or spacing units for a proposed horizontal
23 well which is drilled after the effective date of this act pursuant
24 to a pooling order, whether the pooling order was issued before or

1 after the effective date of this act, shall be afforded separate
2 elections as set forth below, subject to the following, provided;
3 however, a geographic area in which there is no existing producing
4 unit as of the date of the filing of the application for the
5 governing pooling order and which is initially developed pursuant to
6 a multiunit horizontal well authorized under Section 87.8 of this
7 title, or a horizontal spacing unit which contains more than six
8 hundred forty (640) acres plus tolerances and variances as allowed
9 for pursuant to subsection (c) of this section shall not be
10 considered to contain existing production for purposes of this
11 subsection, unless the geographical area of any spacing unit covered
12 by the governing pooling order: is overlain by a horizontal spacing
13 unit greater than six hundred forty (640) acres plus tolerances and
14 variances as allowed for pursuant to subsection (c) of this section
15 which is not subject to said pooling order; has a multiunit well
16 drilled pursuant to Section 87.8 of this title which includes a
17 horizontal spacing unit which contains more than six hundred forty
18 (640) acres plus tolerances and variances as allowed for pursuant to
19 subsection (c) of this section which is subject to said pooling
20 order; or has a multiunit well drilled pursuant to Section 87.8 of
21 this title for a combination of units different than drilled by the
22 initial multiunit well pursuant to said pooling order:

23 (1) as to a multiunit horizontal well authorized under Section
24 87.8 of this title, each party owning a right to participate in

1 development of the proposed multiunit horizontal well with a vested
2 interest as to which there is existing production in the
3 geographical area of the spacing unit for the proposed multiunit
4 well shall be allowed, and as to the extent of their development
5 rights as to which there is existing production, an election as to
6 the targeted reservoir or targeted reservoirs covered by each
7 pooling order for such proposed multiunit horizontal well described
8 above, unless otherwise agreed to or waived in writing after the
9 effective date of this act. If said multiunit well is drilled in
10 accordance with the pooling order, the relinquished rights of an
11 owner who elects or is deemed to have elected not to participate
12 with all or any part of that owner's interest in the multiunit
13 horizontal well shall be limited to only the owner's
14 nonparticipating working interest in the common source or common
15 sources of supply within the targeted reservoir or targeted
16 reservoirs covered by said election which are actually horizontally
17 drilled and completed by said well. The owner shall retain all
18 other rights, including all rights in any existing wellbores in
19 which the owner has participated;

20 (2) as to a horizontal well authorized by the Commission for a
21 horizontal spacing unit created under subsection (f) of this section,
22 if the horizontal spacing unit contains more than six hundred forty
23 (640) acres plus tolerances and variances as allowed for pursuant to
24 subsection (c) of this section, or is comprised of more than one

1 governmental section, each party owning a right to participate in
2 development of the proposed horizontal well with a vested interest as
3 to which there is existing production in the geographical area of the
4 spacing unit for the proposed horizontal well shall be allowed, and
5 as to the extent of their development rights as to which there is
6 existing production, a separate election as to each common source of
7 supply or common sources of supply covered by the pooling order for a
8 proposed horizontal well described above, unless otherwise agreed to
9 or waived in writing after the effective date of this act. If said
10 horizontal well is drilled in accordance with the pooling order, the
11 relinquished rights of an owner who elects or is deemed to have
12 elected not to participate with all or any part of that owner's
13 interest in the horizontal well shall be limited to only the owner's
14 nonparticipating working interest in the common source or common
15 sources of supply covered by said election which are actually
16 horizontally drilled and completed by said well. The owner shall
17 retain all other rights, including any rights in all existing
18 wellbores in which the owner has participated;

19 (3) as to any well which is subject to a pooling order which was
20 entered prior to the effective date of this act, in order to be
21 entitled to the rights and benefits of this subsection, the owner
22 must have been vested with the right to participate in the subject
23 well as of the effective date of this act;
24

1 (4) any relinquishment of rights under this subsection shall be
2 pursuant to the governing pooling order and at such fair value as
3 determined by the Commission; and

4 (5) the provisions of subsections (g) and (h) of this section
5 shall supplement each affected pooling order as to development of
6 the affected spacing unit by use of horizontal wells from and after
7 the effective date of this act.

8 SECTION 3. AMENDATORY 52 O.S. 2011, Section 87.6, as
9 last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp.
10 2016, Section 87.6), is amended to read as follows:

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

14 B. As used in the ~~2011 Shale Reservoir~~ Extended Horizontal Well
15 Development Act:

16 1. "Adjacent common source of supply" means a common source of
17 supply which is immediately adjacent to and adjoining the targeted
18 reservoir or targeted reservoirs in a multiunit horizontal well being
19 drilled pursuant to Section 87.8 of this title or a well being
20 drilled in a horizontal well unitization pursuant to Section 87.9 of
21 this title and which is inadvertently encountered in the drilling of
22 the lateral of a multiunit horizontal well or a well pursuant to a
23 horizontal well unitization when such well is drilled out of or
24 exits, whether on one or multiple occasions, the targeted reservoir

1 or targeted reservoirs, and which is not the primary target of the
2 subject well and shall not be included in the relinquished rights
3 pursuant to subsection (h) of Section 87.1 of this title. In the
4 event that an adjacent common source of supply may be inadvertently
5 encountered in the drilling of the lateral of a multiunit horizontal
6 well or a well pursuant to a horizontal well unitization when such
7 well is drilled out of or exits, whether on one or multiple
8 occasions, the targeted reservoir or targeted reservoirs, then said
9 inadvertently entered adjacent common source of supply shall be
10 included as part of the targeted reservoir only for the purpose of
11 the inadvertent penetrations, and any subsequent completion,
12 commingling and production of said adjacent common source of supply
13 with the targeted reservoir or targeted reservoirs, but not for
14 future development of said adjacent common source of supply;

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

18 ~~2.~~ 3. "Application" means a written request filed by an owner
19 of the right to drill seeking approval to drill, complete and
20 produce a multiunit horizontal well or to create a horizontal well
21 unitization;

22 ~~3.~~ ~~"Associated common source of supply" means a common source~~
23 ~~of supply which is subject to a drilling and spacing unit formed by~~
24 ~~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, or which is located within the boundaries of a unit created through a horizontal well unitization, and which is immediately adjoining the shale common source of supply in which the completion interval of the horizontal well is located, and which is inadvertently encountered in the drilling of the lateral of such 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 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 which, for at least one lateral, the horizontal component of the completion interval exceeds the vertical component of the completion interval 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~~ targeted reservoir created pursuant to Section 87.9 of this title;

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

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

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

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

13 ~~12.~~ 11. "Plan of development" means the proposed plan for
14 developing the ~~shale~~ targeted reservoir unitized pursuant to Section
15 87.9 of this title, which plan, based upon the information and
16 knowledge then available to the applicant, shall include:

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

1 recovery of oil and gas from the ~~shale~~ targeted
2 reservoir 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 ~~13.~~ 12. "Point of entry" means the point at which the borehole
15 of a horizontal well first intersects the top of the targeted
16 reservoir;

17 ~~14.~~ 13. "PRSA" means the Production Revenue Standards Act;

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

22 ~~16.~~ 14. "Targeted reservoir" means ~~any shale reservoir or any~~
23 ~~portion of the Marmaton~~ one or more common ~~source~~ sources of supply
24 which will be encountered by the horizontal lateral portion of a

1 horizontal well, and which has been designated by the Commission as
2 part of an order, rule or emergency rule as potentially suited for
3 development for the applied for multiunit horizontal well pursuant
4 to Section 87.8 of this title or a horizontal well unitization
5 pursuant to Section 87.9 of this title. Provided, however, that
6 more than one common source of supply may only be granted by the
7 Commission and included in the targeted reservoir upon a showing of
8 reasonable cause by the applicant requesting the multiunit well in
9 the application requesting authority for the multiunit well prior to
10 the drilling of said multiunit well that the inclusion of the
11 additional common source(s) of supply shall prevent waste and
12 protect the correlative rights of all of the owners of the oil and
13 gas rights;

14 ~~17.~~ 15. "Terminus" means the end point of the borehole of a
15 horizontal well in the targeted reservoir;

16 ~~18.~~ 16. "Wellbore royalty interest" means, for each separate
17 multiunit horizontal well, the sum of resulting products of each
18 affected unit's royalty share for that unit, as defined by the PRSA,
19 multiplied by that unit's allocation factor for production and
20 proceeds;

21 ~~19.~~ 17. "Wellbore royalty proceeds" means the proceeds or other
22 revenue derived from or attributable to any production of oil and
23 gas from the multiunit horizontal well multiplied by the wellbore
24 royalty interest;

1 ~~20.~~ 18. "Unit" means a drilling and spacing unit for a single
2 common source of supply created pursuant to Section 87.1 of this
3 title or a horizontal well unitization created pursuant to Section
4 87.9 of this title;

5 ~~21.~~ 19. "Unit's royalty contribution factor" means the royalty
6 share for an affected unit, as defined by PRSA, multiplied by that
7 unit's allocation factor, then divided by the total wellbore royalty
8 interest; and

9 ~~22.~~ 20. "Vertical component" means the calculated vertical
10 distance from the point of entry to the terminus.

11 SECTION 4. AMENDATORY 52 O.S. 2011, Section 87.7, is
12 amended to read as follows:

13 Section 87.7. Corporation Commission Jurisdiction. The
14 Corporation Commission shall have jurisdiction, upon the filing of a
15 proper application therefor, to permit the drilling, completing and
16 producing of a multiunit horizontal well in conformity with ~~Section~~
17 ~~4 of this act~~ Section 87.8 of this title, or to create a horizontal
18 well unitization in conformity with ~~Section 5 of this act~~ Section
19 87.9 of this title, if the Commission finds that the multiunit
20 horizontal well or the horizontal well unitization will prevent
21 waste and will protect the correlative rights of the owners of oil
22 and gas rights.

1 SECTION 5. AMENDATORY 52 O.S. 2011, Section 87.8, as
2 amended by Section 2, Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016,
3 Section 87.8), is amended to read as follows:

4 Section 87.8. A. Under the conditions contained in this
5 section, the Corporation Commission is authorized to allow multiunit
6 horizontal wells in any targeted reservoir or in more than one
7 targeted reservoir, or in a targeted reservoir and an adjacent
8 common source of supply, upon an appropriate finding by the
9 Commission of the necessity to comingle production from more than
10 one targeted reservoir or an adjacent common source of supply in
11 such multiunit horizontal well, in order to prevent waste and
12 protect the correlative rights of the owners of oil and gas rights.

13 B. Ownership, Allocation of Costs, Commingled Production, and
14 Proceeds.

15 The Commission shall require the allocation of the reasonable
16 drilling, completion and production costs associated with ~~a~~ such
17 multiunit horizontal well to each of the affected units which the
18 well actually penetrates within the completion interval and shall
19 further require the allocation to each of the units affected by a
20 multiunit horizontal well of the commingled production, and the
21 proceeds from the sale thereof, from the completion interval of ~~a~~
22 such multiunit horizontal well, with any allocation to be in a
23 manner that will prevent waste and protect the correlative rights of
24

1 the owners of the oil and gas rights in each of the affected units
2 which the well actually penetrates within the completion interval.

3 1. The allocation factor for each affected unit shall be
4 determined by dividing the length of the completion interval located
5 within the affected unit by the entire length of the completion
6 interval in the subject multiunit horizontal well. The Commission
7 shall have the authority to adjust the allocation factors, based
8 upon reasonable testimony and evidence presented to the Commission,
9 if necessary to prevent waste and adequately protect the correlative
10 rights of the owners of the oil and gas rights in each of the
11 affected units.

12 2. Each party who participates as a working interest owner in a
13 multiunit horizontal well shall own an undivided interest in all
14 portions of the wellbore of the well and in the equipment on or in
15 the well in the same ratio that the party's allocated portion of the
16 total costs of the well and equipment bears to the total costs of
17 the well and equipment. The ownership of undivided interest
18 described in this paragraph shall not affect or prejudice the
19 ownership of oil and gas rights of the affected owners outside of
20 the targeted reservoir for the multiunit horizontal well.

21 3. A multiunit horizontal well shall be treated as a well in
22 each of the affected units and shall be subject to all of the rules
23 otherwise applicable to any other well in any of the affected units.
24 In allowing a multiunit horizontal well, the Commission, under

1 Section 87.1 of this title, may grant any necessary exceptions to
2 the permitted well location tolerances in each of the affected units
3 for the well and permit the well as an additional well in each of
4 the affected units. When an owner has drilled or proposes to drill
5 a multiunit horizontal well or wells and the owners of a present
6 right to drill in any of the affected units have not agreed to pool
7 their interests in the unit or units for the ~~affected common sources~~
8 ~~of supply~~ targeted reservoir, the Commission, under Section 87.1 of
9 this title, may, upon the filing of a proper application therefor,
10 require the owners to pool their interests in the targeted reservoir
11 in each affected unit on a unitwide basis as to the respective unit
12 in regard to the development involving the portion of the multiunit
13 horizontal well or wells located within the affected unit.
14 Furthermore, if the Commission has previously entered an order
15 pooling the interests of owners in an affected unit in which a
16 multiunit horizontal well or wells have been drilled or are proposed
17 to be drilled, the Commission, under Section 87.1 of this title may,
18 upon the filing of a proper application therefor, amend the pooling
19 order to the extent necessary to have the pooling order cover the
20 development involving the portion of the multiunit horizontal well
21 or wells located within the affected unit.

22 4. The application shall include:

- 23 a. the approximate anticipated location of the proposed
24 multiunit horizontal well or wells,

- 1 b. a map or maps indicating the location of each
2 currently existing well in each affected unit which is
3 the subject of the application and the anticipated
4 location of each multiunit horizontal well currently
5 proposed to be drilled in each affected unit as a
6 result of the application and any other horizontal
7 well not included in the current application, but
8 anticipated to be necessary, based upon the
9 information and knowledge then available to the
10 applicant, for the full and efficient development and
11 operations of the targeted reservoir within the
12 affected units if the well or wells are approved by
13 the Commission upon the filing of a proper application
14 at a future date, and
- 15 c. any applicable proposed allocation factor or factors
16 for allocating the costs, production and proceeds from
17 each proposed multiunit horizontal well under the
18 application.

19 5. Production from the completion interval in the targeted
20 reservoir from each of the affected units in which a multiunit
21 horizontal well is completed may be commingled in the wellbore of
22 the well and produced to the surface. The commingled production
23 from a multiunit horizontal well shall be allocated to each of the
24

1 affected units based upon the allocation factors approved by the
2 Commission.

3 6. In granting an application for a multiunit horizontal well
4 or wells, the Commission shall find, based on the testimony and
5 evidence presented, that given the information and knowledge then
6 available, the proposed multiunit horizontal well or wells will
7 prevent waste, protect correlative rights and likely will aid in the
8 full and efficient development of each of the affected units.

9 7. The wellbore royalty proceeds for a multiunit horizontal
10 well shall be allocated to each affected unit by multiplying the
11 royalty contribution factor of the unit by the wellbore royalty
12 proceeds, with the resulting product being the royalty proceeds for
13 that unit. Each royalty interest owner in an affected unit shall be
14 entitled to receive the owner's proportionate royalty share of the
15 allocated royalty proceeds for that unit.

16 8. The multiunit horizontal well shall be subject to the
17 provisions of the Product Revenue Standards Act (PRSA). The
18 operator of the multiunit horizontal well shall be the designated
19 royalty distributor pursuant to the PRSA for the multiunit
20 horizontal well, unless there is a diversity of operators in the
21 affected units from which the multiunit horizontal well is producing
22 and another operator in each of the affected units agrees to perform
23 separately the PRSA royalty distribution functions for the unit.

24 C. Application, Notice and Retained Jurisdiction.

1 Application for approval of a multiunit horizontal well shall be
2 in a form prescribed by the Commission. The application, and the
3 notice of hearing on the application, shall be served no less than
4 fifteen (15) days prior to the date of the hearing, by regular mail,
5 upon each person or governmental entity having the right to share in
6 production from each of the affected units covered by the
7 application, as well as other persons or governmental entities
8 required by the rules of the Commission. Upon approval of a
9 multiunit horizontal well, the Commission shall retain jurisdiction
10 over the well. The retained jurisdiction of the Commission set
11 forth herein shall neither preclude nor impair the right of any
12 affected party to obtain through the district courts of this state
13 any remedy or relief available at law or in equity for injuries
14 caused by any action or inaction of the applicant, operator or any
15 other affected party.

16 SECTION 6. AMENDATORY 52 O.S. 2011, Section 87.9, is
17 amended to read as follows:

18 Section 87.9. A. Horizontal Well Unitization for ~~Shale~~
19 Targeted Reservoirs.

20 Under limited circumstances and conditions contained in this
21 section, the Corporation Commission is authorized to unitize a ~~shale~~
22 targeted reservoir for the drilling of horizontal wells to the end
23 that a greater ultimate recovery of oil and gas may be had
24 therefrom, waste is prevented, and the correlative rights of the

1 owners are protected. Unless and until a unit created pursuant to
2 this section is effective, nothing in this section shall prohibit
3 the drilling of a horizontal well within a drilling and spacing unit
4 created pursuant to Section 87.1 of ~~Title 52 of the Oklahoma~~
5 ~~Statutes~~ this title.

6 B. Prerequisites for Unitization.

7 Upon the filing of an appropriate application, and after notice
8 and hearing, the Commission shall determine if:

9 1. The proposed unitization of the ~~shale~~ targeted reservoir is
10 reasonably calculated to increase the ultimate recovery of oil and
11 gas from the ~~shale~~ targeted reservoir through the use of horizontal
12 well technology to drill one or more horizontal wells in the unit;

13 2. The use of horizontal well technology to drill the
14 horizontal well or wells in the ~~shale~~ targeted reservoir is
15 feasible, will prevent waste, will protect correlative rights and
16 will with reasonable probability result in the increased recovery of
17 substantially more oil and gas from the ~~shale~~ targeted reservoir
18 within the unit than would otherwise be recovered;

19 3. The estimated additional cost, if any, of conducting the
20 horizontal well operations is not anticipated to exceed the value of
21 the additional oil and gas to be recovered; and

22 4. The unitization and the use of horizontal well technology to
23 drill one or more horizontal wells is for the common good and will
24

1 result in the general advantage of the owners of the oil and gas
2 rights within the unit.

3 Upon making these findings, the Commission may enter an order
4 creating the unit and providing for the unitized operation of the
5 ~~shale~~ targeted reservoir described in the order, all upon terms and
6 conditions as may be shown by the evidence to be fair, reasonable,
7 equitable and which are necessary or proper to protect and safeguard
8 the respective rights and obligations of the several persons
9 affected, including royalty owners, owners of overriding royalties
10 and others, as well as the lessees. The application shall set forth
11 a description of the proposed unit with a map or plat thereof
12 attached, shall allege the existence of the facts required to be
13 found by the Commission as provided in this subsection and shall
14 have attached thereto a recommended plan of development which is
15 applicable to the proposed unit and which is fair, reasonable and
16 equitable.

17 C. Size of the Unit.

18 Each unit shall be two governmental sections. However, the
19 Commission may expand the size of the unit by including additional
20 governmental sections up to a maximum unit size of four governmental
21 sections, if for good cause shown the Commission finds the expansion
22 of the unit size beyond two governmental sections is necessary to
23 prevent waste, to protect correlative rights and will result in the
24 increased recovery of substantially more oil and gas from the ~~shale~~

1 targeted reservoir than would otherwise be recovered based upon, but
2 not necessarily limited to:

- 3 1. Geological features existing within the proposed unit;
- 4 2. The proposed location or orientation of the horizontal
5 wells;
- 6 3. The length of the laterals of the proposed horizontal wells;
- 7 4. The proposed use of multilateral wells; or
- 8 5. Any combination thereof.

9 D. Ownership of Oil and Gas Rights within the Unit.

10 Where there are, or may thereafter be, two or more separately
11 owned tracts within the unit, each owner of oil and gas rights
12 within the unit shall own an interest in the unit of the same
13 character as the ownership of the owner in the separately owned
14 tract. From and after the effective date of the order of the
15 Commission creating the unit and subject to the provisions of any
16 pooling order covering the unit, the interest of each owner in the
17 unit shall be defined as the percentage of interest owned in each
18 separate tract by the owner, multiplied by the proportion that the
19 acreage in each separately owned tract bears to the entire acreage
20 of the unit. The costs incurred in connection with and the
21 production and proceeds from the wells in the unit shall be
22 allocated to each separate tract in the unit and shall be borne or
23 shared by the owners in each separate tract based upon and
24 determined by the interest of each owner in the tract. However, if

1 a well or wells already exist within the area of the proposed unit
2 which are producing or have produced or appear to be productive from
3 the ~~shale~~ targeted reservoir being unitized, the Commission may
4 adjust the sharing of future costs incurred in connection with and
5 future production and proceeds from any existing well or any
6 subsequent well in the proposed unit in any manner deemed necessary
7 by the Commission in order to protect the correlative rights of the
8 owners within any existing well or any subsequent well or within the
9 ~~proposed~~ unit, including providing for the sharing of future costs
10 incurred in connection with and future production and proceeds from
11 any existing well or any subsequent well in a manner different from
12 any other well in the unit so long as the various methods of sharing
13 future costs, production and proceeds from the existing and
14 subsequent wells in the ~~proposed~~ unit prevents waste and protects
15 the correlative rights of all the affected owners. For the purpose
16 of this section, any owner or owners of oil and gas rights in and
17 under an unleased tract of land within the unit, unless the owner
18 has relinquished the drilling rights or working interest of the
19 owner in the applicable ~~shale~~ targeted reservoir in the tract of
20 land under a pooling order entered by the Commission which order
21 remains in effect, shall be regarded as a lessee to the extent of a
22 seven-eighths (7/8) interest in and to the rights and a lessor to
23 the extent of the remaining one-eighth (1/8) interest therein.

24 E. The Plan of Development.

1 The application shall include a proposed plan of development.

2 Based upon the facts and conditions found to exist with respect to a
3 proposed unit, the Commission shall determine the necessary terms,
4 provisions, conditions and requirements to be included in the plan
5 of development for the unit. If a well or wells already exist
6 within the area of the proposed unit which are producing or have
7 produced or appear to be productive from the ~~shale~~ targeted
8 reservoir being unitized, the plan of development shall also
9 include:

10 1. Any adjustments to the sharing of future costs incurred in
11 connection with future development and production, and the sharing
12 of proceeds, from any existing well or any subsequent well which the
13 Commission determines to be necessary in order to be fair,
14 reasonable and equitable, and to protect the correlative rights of
15 the owners, considering the existing development in and the prior
16 and anticipated future production from the ~~shale~~ targeted reservoir
17 within the ~~proposed~~ unit; and

18 2. The procedure and basis upon which existing wells, equipment
19 and other properties of the several lessees within the unit area are
20 to be taken over and used for the unit operations, including the
21 method of arriving at the compensation therefor, or of otherwise
22 proportionately equalizing or adjusting the investment of the
23 several lessees in the project as of the effective date of unit
24 operation.

1 F. Order of the Commission.

2 The order of the Commission creating the unit shall:

3 1. Designate the size and shape of the unit;

4 2. Set forth the drilling pattern and setbacks for the unit,
5 including the permitted well location tolerances for the permitted
6 wells within the unit;

7 3. Approve and adopt the plan of development for the unit, with
8 a copy thereof attached to the order and include any necessary
9 special allocation factors for allocating the costs, production and
10 proceeds from the proposed unit resulting from existing wells or
11 subsequent wells, or both;

12 4. Designate the unit operator; and

13 5. Provide for the conditions upon which the unit, and the
14 order creating the unit, shall terminate.

15 G. Consent by Owners.

16 No order of the Commission creating a unit pursuant to this
17 section shall become effective unless and until the proposed
18 unitization has been consented to in writing, and the written
19 consent submitted to the Commission, by lessees of record of not
20 less than sixty-three percent (63%) of the working interest in the
21 ~~shale~~ targeted reservoir in each spacing unit in the area to be
22 included in the unit and by owners of record of not less than sixty-
23 three percent (63%), exclusive of any royalty interest owned by any
24 lessee or by any subsidiary of any lessee, of the one-eighth (1/8)

1 royalty interest in the ~~shale~~ targeted reservoir in each spacing
2 unit in the area to be included in the unit in an express writing
3 separate from the oil and gas lease. The Commission shall make a
4 finding in the order creating the unit as to whether the requisite
5 consent has been obtained. Where the requisite consent has not been
6 obtained at the time the order creating the unit is entered, the
7 Commission shall, upon application and notice, hold any additional
8 and supplemental hearings as may be requested or required to
9 determine if and when the requisite consent has been obtained and
10 the date the unitization will become effective. In the event
11 lessees and royalty owners, or either, owning the required
12 percentage interest in and to the unit area have not so consented to
13 the unitization within a period of six (6) months from and after the
14 date on which the order creating the unit is entered, the order
15 creating the unit shall cease to be of further force and effect and
16 shall be revoked by the Commission.

17 H. Notice.

18 The application for the creation of a horizontal well
19 unitization ~~for a shale reservoir~~ under this section, and the notice
20 of hearing on the application, shall be served no less than fifteen
21 (15) days prior to the date of the hearing, by regular mail, upon
22 each person or governmental entity having the right to share in
23 production from the proposed unit covered by the application, as
24 well as other persons or governmental entities required by

1 Commission rules. Any person aggrieved by any order of the
2 Commission made pursuant to this section may appeal therefrom to the
3 Supreme Court of the State of Oklahoma upon the same conditions,
4 within the same time and in the same manner as is provided for in
5 ~~Title 52 of the Oklahoma Statutes~~ this title, for the taking of
6 appeals from the orders of the Commission made thereunder.

7 I. Pooling of the Unit.

8 From and after the effective date of an order creating a unit
9 pursuant to this section and subject to the provisions of the order
10 in regard to the matters to be found by the Commission in the
11 creation of the unit and the provisions of the applicable plan of
12 development, an owner of the right to drill for and produce oil or
13 gas from the unit may request the Commission to pool the oil and gas
14 interests of the owners in the unit on a unitwide basis pursuant to
15 the provisions of subsection (e) of Section 87.1 of ~~Title 52 of the~~
16 ~~Oklahoma Statutes~~ this title in regard to the development of the
17 unit ~~involving a horizontal well or wells~~.

18 J. Effect on Existing Spacing Units and Pooling Orders.

19 From and after the effective date of an order creating a unit
20 pursuant to this section, the operation of any well producing from
21 the ~~shale~~ targeted reservoir within the unit defined in the order by
22 persons other than the unit operator, or except in the manner and to
23 the extent provided in the order creating the unit shall be unlawful
24 and is hereby prohibited. Once the order of the Commission creating

1 a unit pursuant to this section becomes effective, the unit so
2 created shall supersede any drilling and spacing unit previously
3 formed by the Commission pursuant to Section 87.1 of ~~Title 52 of the~~
4 ~~Oklahoma Statutes~~ this title for the same ~~shale~~ targeted reservoir
5 within the area of the new unit. Any pooling order which was
6 entered by the Commission pursuant to subsection (e) of Section 87.1
7 of ~~Title 52 of the Oklahoma Statutes~~ this title covering any
8 drilling and spacing unit superseded by a unit created pursuant to
9 this section and which was in effect at the time of the creation of
10 the unit shall remain in full force and effect as to any oil and gas
11 interests in the ~~shale~~ targeted reservoir which were relinquished
12 and transferred by operation of law under the pooling order.
13 However, further development of the ~~shale~~ targeted reservoir in the
14 area of the unit created pursuant to this section shall not be
15 subject to any of the other provisions of any prior pooling order,
16 but shall be governed by and pursuant to the order creating the
17 unit, including the applicable plan of development, and any
18 subsequent pooling order covering the unit.

19 K. Payment of Proceeds.

20 Units created pursuant to this section shall be subject to the
21 terms and provision of the PRSA.

22 L. The Commissioners of the Land Office.

23 The Commissioners of the Land Office, or other proper board or
24 officer of the state having the control and management of state

1 land, and the proper board or officer of any political, municipal,
2 or other subdivision or agency of the state, are hereby authorized
3 and shall have the power on behalf of the state or of any political,
4 municipal, or other subdivision or agency thereof, with respect to
5 land or oil and gas rights subject to the control and management of
6 the respective body, board, or officer, to consent to or participate
7 in any unitization ~~adopted~~ created pursuant to the ~~2011 Shale~~
8 ~~Reservoir~~ Extended Horizontal Well Development Act.

9 M. Retained Jurisdiction.

10 Upon the creation of a unit pursuant to this section, and
11 approval of the plan of development in connection therewith, the
12 Commission shall retain jurisdiction over the unit and the plan of
13 development. The retained jurisdiction of the Commission set forth
14 herein shall neither preclude nor impair the right of any affected
15 party to obtain through the district courts of this state any remedy
16 or relief available at law or in equity for injuries caused by any
17 action or inaction of the applicant, operator or any other affected
18 party.

19 SECTION 7. It being immediately necessary for the preservation
20 of the public peace, health or safety, an emergency is hereby
21 declared to exist, by reason whereof this act shall take effect and
22 be in full force from and after its passage and approval.

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