

BILL SUMMARY
1st Session of the 56th Legislature

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| Bill No.: | SB669 |
| Version: | Engrossed |
| Request Number: | |
| Author: | O'Donnell |
| Date: | 4/12/2017 |
| Impact: | Please see previous summary of this measure |

Research Analysis

SB 669 allows the Corporation Commission to approve well spacing units of any size, not to exceed one mile in width. Current statute allows units of up to 640 acres. The measure also provides that a working interest owner in a non-horizontal spacing unit who does not agree to develop an overlying horizontal spacing unit shall relinquish any non-participating working interest in the horizontal spacing unit while retaining all other rights.

The Proposed Committee Substitute for SB 669 authorizes the Corporation Commission to establish spacing units of any size not to exceed one mile in width. The measure provides that no order establishing a horizontal well unit that overlies any existing well, lease, or portion of any existing unit from the same common source of supply may become effective until at least 50% of the ownership having a right to drill in each such well and spacing unit consents to establishing the new unit in writing.

The PCS also creates a new section known as the “Vertical Well Protection Act of 2017.” This section provides that, if production from a vertical well is affected by production of a horizontal well, the operator of the vertical well may notify the operator of the horizontal well, after which the parties have 30 days to arrive at a settlement of damages. If no settlement can be reached in 30 days, the vertical well operator may apply with the district court for an appraiser to determine damages sustained, and if the appraisal is accepted by both parties, this finding becomes the court’s final determination and acts as judgment in favor of the vertical well operator. If the parties do not agree, the case shall be placed on the district court trial docket.

Prepared By: Sean Webster

Fiscal Analysis

The measure is currently under review and impact information will be completed.

Prepared By: Mark Tygret

Other Considerations

None.