

BILL SUMMARY
1st Session of the 56th Legislature

Bill No.:	SB 867
Version:	ENGR
Request Number:	
Author:	Speaker McCall
Date:	5/25/2017
Impact:	OTC: FY-18: Anticipated positive impact of \$18,951,000 to the state on gross production tax collections at the 2% rate.

Research Analysis

SB 867 authorizes the Corporation Commission to create well spacing units for horizontal oil or gas wells of up to 1,280 acres. An application for a horizontal spacing unit larger than 640 acres must include the basis for requesting a larger unit. Unless reasonable cause is shown, the horizontal lateral must be at least 7,500 feet in order to receive a spacing unit larger than 640 acres. Further, the drilling of a multiunit horizontal well is not allowable as the initial unit well for a horizontal spacing unit, unless the contemplated completed portion of the lateral is to extend 10,560 feet.

The measure allows for horizontal spacing units to be established for a common source of supply for which there are already non-horizontal drilling and spacing units. The horizontal spacing unit may exist concurrently with any previous drilling and spacing units so that each unit may be separately drilled into and developed, with production from each well to be governed by the applicable unit.

The bill also renames the 2011 Shale Reservoir Development Act to the Extended Horizontal Well Development Act. The amended act allows multiunit wells in any targeted reservoir or more than one targeted reservoir and no longer refers specifically to any one particular reservoir or source of supply.

Prepared By: Sean Webster

Fiscal Analysis

Per the Oklahoma Tax Commission (OTC), there will be estimated increases in oil and gas production from the expanded use of long lateral lines. Based on this data and adjusting for the timing in gross production tax collections, the FY 18 anticipated fiscal impact on the gross production tax collections at the 2% rate are as follows:

Gas	\$ 6,230,000
Oil	<u>\$12,721,000</u>
Total	\$18,951,000

Apportionment:	GR Fund	\$9,475,500
	Counties	\$4,737,750
	Schools	\$4,737,750

Prepared By: Jenny Mobley

Other Considerations

None.

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