

1 STATE OF OKLAHOMA

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

3 SENATE BILL 768

By: Marlatt

4
5 AS INTRODUCED

6 An Act relating to oil and gas; amending 52 O.S.
7 2011, Section 87.6, as last amended by Section 1,
8 Chapter 400, O.S.L. 2014 (52 O.S. Supp. 2016, Section
9 87.6), which relates to definitions; and providing an
effective date.

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

11 SECTION 1. AMENDATORY 52 O.S. 2011, Section 87.6, as
12 last amended by Section 1, Chapter 400, O.S.L. 2014 (52 O.S. Supp.
13 2016, Section 87.6), is amended to read as follows:

14 Section 87.6. A. Sections 87.6 through 87.9 of this title
15 shall be known and may be cited as the "2011 Shale Reservoir
16 Development Act".

17 B. As used in the 2011 Shale Reservoir Development Act:

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

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

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

12 4. "Commission" means the Corporation Commission;

13 5. "Completion interval" means, for an open hole completion in
14 a horizontal well, the interval from the point of entry to the
15 terminus and, for a cased and cemented completion in a horizontal
16 well, the interval from the first perforations to the last
17 perforations;

18 6. "Horizontal well" means a well drilled, completed, or
19 recompleted with one or more laterals which, for at least one
20 lateral, the horizontal component of the completion interval exceeds
21 the vertical component of the completion interval and the horizontal
22 component extends a minimum of one hundred fifty (150) feet in the
23 formation;

24

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

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

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

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

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

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

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

1 development and operation of the proposed unit for the
2 recovery of oil and gas from the shale reservoir
3 within the proposed unit,

4 b. any applicable proposed allocation factor or factors
5 for allocating the costs, production and proceeds from
6 the proposed unit,

7 c. the anticipated timing and anticipated sequence of
8 drilling of each horizontal well in the proposed unit,
9 including the conditions upon which the unit will
10 terminate, and

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

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

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

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

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

1 17. "Terminus" means the end point of the borehole of a
2 horizontal well;

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

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

12 20. "Unit" means a drilling and spacing unit for a single
13 common source of supply created pursuant to Section 87.1 of this
14 title or a horizontal well unitization created pursuant to Section
15 87.9 of this title;

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

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

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

23

24 56-1-263 CB 1/20/2017 8:03:33 AM