

STATE OF OKLAHOMA

1st Session of the 56th Legislature (2017)

SENATE BILL 867

By: Schulz of the Senate

and

McCall and McBride of the  
House

AS INTRODUCED

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

1 discloses that the applicant is an owner within the area or within a  
2 drilling and spacing unit contiguous to the area covered by the  
3 application. Except in the instance of reservoir dewatering as  
4 described herein, the Commission shall not establish well spacing  
5 units of more than forty (40) acres in size covering common sources  
6 of supply of oil, the top of which lies less than four thousand  
7 (4,000) feet below the surface as determined by the original or  
8 discovery well in the common source of supply, and the Commission  
9 shall not establish well spacing units of more than eighty (80)  
10 acres in size covering common sources of supply of oil, the top of  
11 which lies less than nine thousand nine hundred ninety (9,990) feet  
12 and more than four thousand (4,000) feet below the surface as  
13 determined by the original or discovery well in the common source of  
14 supply. In the instance of reservoir dewatering to extract oil from  
15 reservoirs having initial water saturations at or above fifty  
16 percent (50%), the Commission may establish drilling and spacing  
17 units not to exceed six hundred forty (640) acres in size.

18 (e) The drilling of any well or wells into any common source of  
19 supply for the purpose of producing oil or gas therefrom, after a  
20 spacing order has been entered by the Commission covering such  
21 common source of supply, at a location other than that fixed by the  
22 order is hereby prohibited. The drilling of any well or wells into  
23 a common source of supply, covered by a pending spacing application,  
24 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 the 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 the 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 the 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 the 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, as to the extent of their development rights  
5 as to which there is existing production, a separate election as to  
6 each common source of supply or common sources of supply covered by  
7 the pooling order for a proposed horizontal well described above,  
8 unless otherwise agreed to or waived in writing after the effective  
9 date of this act. If the multiunit well is drilled in accordance  
10 with the pooling order, the relinquished rights of an owner who  
11 elects or is deemed to have elected not to participate with all or  
12 any part of that owner's interest in the multiunit horizontal well  
13 shall be limited to only the owner's nonparticipating working  
14 interest in the common source or common sources of supply within the  
15 targeted reservoir or targeted reservoirs covered by the election  
16 which are actually horizontally drilled and completed by the well.  
17 The owner shall retain all other rights, including all rights in any  
18 existing wellbores in which the owner has participated;

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

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

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

23

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 the  
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 the adjacent common source of supply  
13 with the targeted reservoir or targeted reservoirs, but not for  
14 future development of the 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

1 ~~lands in which the completion interval of a multiunit horizontal~~  
2 ~~well is located, or which is located within the boundaries of a unit~~  
3 ~~created through a horizontal well unitization, and which is~~  
4 ~~immediately adjoining the shale common source of supply in which the~~  
5 ~~completion interval of the horizontal well is located, and which is~~  
6 ~~inadvertently encountered in the drilling of the lateral of such~~  
7 ~~horizontal well when such well is drilled out of or exits, whether~~  
8 ~~on one or multiple occasions, such shale common source of supply;~~

9 4. "Commission" means the Corporation Commission;

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

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

21 7. "Horizontal well unitization" means a unitization for a  
22 ~~shale~~ targeted reservoir created pursuant to Section 87.9 of this  
23 title;

24

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 the 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.

23

24

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.

23

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