

ORIGINAL HOUSE
BILL NO. HB0014

ENROLLED ACT NO. 14, HOUSE OF REPRESENTATIVES

SIXTY-FIFTH LEGISLATURE OF THE STATE OF WYOMING
2020 BUDGET SESSION

AN ACT relating to oil and gas; amending the calculation of owners' shares for drilling units as specified; providing for the expiration of pooling orders under specified conditions; providing a royalty during payment of risk penalty; making conforming amendments; and providing for an effective date.

Be It Enacted by the Legislature of the State of Wyoming:

Section 1. W.S. 30-5-109(f), (g)(intro), (ii) and by creating new subsections (h) and (j) is amended to read:

30-5-109. Rules and regulations governing drilling units.

(f) When two (2) or more separately owned tracts are embraced within a drilling unit, or when there are separately owned interests in all or a part of the drilling unit, then persons owning such interests may pool their interests for the development and operation of the drilling unit. In the absence of voluntary pooling, the commission, upon the application of any interested person, may enter an order pooling all interests in the drilling unit for the development and operation thereof. Each such pooling order shall be made after notice and hearing and shall be upon terms and conditions that are just and reasonable. Operations incident to the drilling of a well upon any portion of a unit covered by a pooling order shall be deemed for all purposes to be the conduct of such operations upon each separately owned tract in the unit by the several owners thereof. That portion of the production allocated or applicable to each tract included in a unit covered by a pooling order shall, when produced, be deemed for all purposes to have been produced from such tract by a well drilled thereon. A pooling order issued under this

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subsection shall expire twelve (12) months after issuance if the person authorized to drill and operate a well fails to commence operations within twelve (12) months of issuance of the pooling order.

(g) Each pooling order shall provide for the drilling and operation of a well on the drilling unit, and for the payment of the cost thereof, as provided in this subsection. The commission is specifically authorized to provide that the owner or owners drilling or paying for the drilling or for the operation of a well for the benefit of all owners shall be entitled to all production from the well which would be received by the owner or owners, for whose benefit the well was drilled or operated, after payment of royalty as provided in the lease, if any, applicable to each tract or interest or after payment of the royalty if required under subsection (h) of this section, and obligations payable out of production, until the owner or owners drilling or operating the well or both have been paid the amount due under the terms of the pooling order or order settling the dispute. In the event of any disputed cost, the commission shall determine the proper cost. The order shall determine the interest of each owner in the unit, and may provide that each owner who agrees with the person or persons drilling and operating the well for the payment by the owner of his share of the costs, unless he has agreed otherwise, shall be entitled to receive, subject to royalty or similar obligations, the share of the production of the well applicable to the tract of the nonconsenting owner. Each owner who does not agree, shall be entitled to receive from the person or persons drilling and operating the well on the unit his share of the production applicable to his interest after the person or persons drilling and operating the well have recovered

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the following, subject to the provisions of subsection (h) of this section:

(ii) Up to:

(A) Three hundred percent (300%) of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received and up to two hundred percent (200%) of that portion of the cost of newly acquired equipment in the well, to and including the wellhead connections, which would have been chargeable to the nonconsenting owner if he had participated therein, if the nonconsenting owner's tract or interest is subject to a lease or other contract for oil and gas development;

(B) For the first well the person drills and operates in a drilling unit and under a pooling order, two hundred percent (200%) of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received and up to one hundred twenty-five percent (125%) of that portion of the cost of newly acquired equipment in the well, to and including the wellhead connections, which would have been chargeable to the nonconsenting owner if he had participated therein, if the nonconsenting owner's tract or interest is not subject to a lease or other contract for oil and gas development;

(C) For each subsequent well the person drills and operates in a drilling unit and under a pooling order, one hundred fifty percent (150%) of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received and up to one hundred

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twenty-five percent (125%) of that portion of the cost of newly acquired equipment in the well, to and including the wellhead connections, which would have been chargeable to the nonconsenting owner if he had participated therein, if the nonconsenting owner's tract or interest is not subject to a lease or other contract for oil and gas development.

(h) During the time the person or persons drilling and operating a well are recovering costs from a nonconsenting owner as authorized in a pooling order issued pursuant to subsection (g) of this section, a nonconsenting owner of a tract or interest in a drilling unit that is not subject to a lease or other contract for oil and gas development shall be entitled to a cost-free royalty interest equal to the greater of:

(i) Sixteen percent (16%); or

(ii) The acreage weighted average royalty interest of the leased tracts within the drilling unit.

(j) Upon full payment of the recoverable costs as specified in subsection (g) of this section:

(i) Within thirty (30) days after the producer has fully recovered his costs under subsection (g) of this section, the producer shall send notice to the nonconsenting owner to offer the nonconsenting owner the opportunity to participate under the pooling order as a working interest owner. The notice shall state that the nonconsenting owner may elect to participate in the pooling order or may elect to continue receiving the royalty specified in subsection (h) of this section;

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(ii) Within sixty (60) days after receiving notice, the nonconsenting owner shall inform the producer whether he wishes to make an election to participate under the pooling order as a working interest owner or continue receiving the royalty specified in subsection (h) of this section;

(iii) If the nonconsenting owner fails to respond to the notice within the time specified in paragraph (ii) of this subsection, the nonconsenting owner shall be deemed to elect to continue receiving the royalty specified in subsection (h) of this section;

(iv) Within five (5) business days after receiving notice of election from a nonconsenting owner or upon expiration of the time specified in paragraph (ii) of this subsection, the producer shall notify the commission regarding the nonconsenting owner's election or lack thereof.

Section 2. This act is effective July 1, 2020.

(END)