

COMPULSORY POOLING AMENDMENTS

2014 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Ralph Okerlund

House Sponsor: Mike K. McKell

LONG TITLE

General Description:

This bill modifies the procedure for a compulsory pooling order in a drilling unit.

Highlighted Provisions:

This bill:

▶ authorizes the Board of Oil, Gas, and Mining to assess against a nonconsenting owner in a compulsory pooling order up to ~~500%~~ 400% of the nonconsenting owner's share of:

• the costs of staking a location, preparing a wellsite, rights-of-way, rigging up, drilling, reworking, recompleting, deepening or plugging back, testing, and completing; and

• the cost of equipment in the well;

▶ modifies the royalties paid to an unleased nonconsenting owner in a compulsory pooling order; and

▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:



59 any nonconsenting owner's share of the costs out of production from the drilling unit
60 attributable to [~~his~~] the nonconsenting owner's tract.

61 (c) Each pooling order shall provide that each consenting owner shall own and be
62 entitled to receive, subject to royalty or similar obligations:

63 (i) the share of the production of the well applicable to [~~his~~] the consenting owner's
64 interest in the drilling unit; and

65 (ii) unless [~~he~~] the consenting owner has agreed otherwise, [~~his~~] the consenting owner's
66 proportionate part of the nonconsenting owner's share of the production until costs are
67 recovered as provided in Subsection (4)(d).

68 (d) (i) Each pooling order shall provide that each nonconsenting owner shall be entitled
69 to receive, subject to royalty or similar obligations, the share of the production of the well
70 applicable to [~~his~~] the nonconsenting owner's interest in the drilling unit after the consenting
71 owners have recovered from the nonconsenting owner's share of production the following
72 amounts less any cash contributions made by the nonconsenting owner:

73 (A) 100% of the nonconsenting owner's share of the cost of surface equipment beyond
74 the wellhead connections, including stock tanks, separators, treaters, pumping equipment, and
75 piping;

76 (B) 100% of the nonconsenting owner's share of the estimated cost to plug and
77 abandon the well as determined by the board;

78 (C) 100% of the nonconsenting owner's share of the cost of operation of the well
79 commencing with first production and continuing until the consenting owners have recovered
80 all costs; and

81 (D) an amount to be determined by the board but not less than 150% nor greater than
82 [~~300%~~] ~~₹~~ → 500% 400% ← ~~₹~~ of the nonconsenting owner's share of the costs of staking the
82a location, wellsite
83 preparation, rights-of-way, rigging up, drilling, reworking, recompleting, deepening or
84 plugging back, testing, and completing, and the cost of equipment in the well to and including
85 the wellhead connections.

86 (ii) The nonconsenting owner's share of the costs specified in Subsection (4)(d)(i) is
87 that interest which would have been chargeable to the nonconsenting owner had [~~he~~] the
88 nonconsenting owner initially agreed to pay [~~his~~] the nonconsenting owner's share of the costs
89 of the well from commencement of the operation.