

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.
Act 137 of the Regular Session

1 State of Arkansas
2 85th General Assembly
3 Regular Session, 2005
4

A Bill

HOUSE BILL 1224

5 By: Representative Maloch
6 By: Senators Horn, G. Jeffress
7

For An Act To Be Entitled

10 AN ACT TO AMEND § 15-72-102 TO DEFINE OPERATOR;
11 TO AMEND § 15-72-303 TO ALLOW AN OPERATOR TO
12 APPLY FOR AN ORDER TO INTEGRATE THE INTERESTS OF
13 OWNERS IN A DRILLING UNIT; AND FOR OTHER
14 PURPOSES.

Subtitle

16 AN ACT TO DEFINE OPERATOR AND TO ALLOW
17 AN OPERATOR TO APPLY FOR AN ORDER TO
18 INTEGRATE THE INTERESTS OF OWNERS IN A
19 DRILLING UNIT.
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23 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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25 SECTION 1. Arkansas Code § 15-72-102 is amended to read as follows:
26 15-72-102. Definitions.

27 As used in this act, unless the context otherwise requires:

28 (1) "Commission" means the Oil and Gas Commission as created by
29 this act;

30 (2) "Person" means any natural person, corporation, association,
31 partnership, receiver, trustee, guardian, executor, administrator, fiduciary,
32 federal agency, or representative of any kind;

33 (3) "Oil" means crude petroleum oil, and other hydrocarbons,
34 regardless of gravity, which are produced at the well in liquid form by
35 ordinary production methods and which are not the result of condensation of



1 gas after it leaves the reservoir;

2 (4) "Gas" means all natural gas, including casing-head gas, and
 3 all other hydrocarbons not defined as oil in subdivision (3) of this section;

4 (5) "Pool" means an underground reservoir containing a common
 5 accumulation of crude petroleum oil or natural gas or both. Each zone of a
 6 general structure which is completely separated from any other zone in the
 7 structure is covered by the term "pool" as used in this act;

8 (6) "Field" means the general area which is underlaid or appears
 9 to be underlaid by at least one (1) pool. "Field" shall include the
 10 underground reservoir or reservoirs containing crude petroleum oil, natural
 11 gas, or both. The words "field" and "pool" mean the same thing when only one
 12 (1) underground reservoir is involved. However, "field", unlike "pool", may
 13 relate to two (2) or more pools;

14 (7) "Owner" means the person who has the right to drill into and
 15 to produce from any pool, and to appropriate the production either for
 16 himself, or for himself and another, or others;

17 (8) "Producer" means the owner of wells capable of producing oil
 18 or gas, or both;

19 (9) "Waste" in addition to its ordinary meaning, means "physical
 20 waste" as that term is generally understood in the oil and gas industry. It
 21 shall include:

22 (A) The inefficient, excessive, or improper use or
 23 dissipation of reservoir energy and the locating, spacing, drilling,
 24 equipping, operating, or producing of any oil or gas well or wells in a
 25 manner which results, or tends to result, in reducing the quantity of oil or
 26 gas ultimately to be recovered from any pool in this state;

27 (B) The inefficient storing of oil and the locating,
 28 spacing, drilling, equipping, operating, or producing of any oil or gas well
 29 or wells in a manner causing, or tending to cause, unnecessary or excessive
 30 surface loss or destruction of oil or gas;

31 (C) Abuse of the correlative rights and opportunities of
 32 each owner of oil and gas in a common reservoir due to nonuniform,
 33 disproportionate, and unratable withdrawals causing undue drainage between
 34 tracts of land;

35 (D) Producing oil or gas in such manner as to cause
 36 unnecessary water channeling or coning;

1 (E) The operation of any oil well or wells with an
 2 inefficient gas-oil ratio;

3 (F) The drowning with water of any stratum or part thereof
 4 capable of producing oil or gas;

5 (G) Underground waste however caused and whether or not
 6 defined;

7 (H) The creation of unnecessary fire hazards;

8 (I) The escape into the open air, from a well producing
 9 both oil and gas, of gas in excess of the amount that is necessary for the
 10 efficient drilling or operation of the well;

11 (J) The use of gas for the manufacture of carbon black;
 12 and

13 (K) Permitting gas produced from a gas well to escape into
 14 the air;

15 (10) "Product" means any commodity made from oil or gas and
 16 shall include refined crude oil, crude tops, topped crude, processed crude
 17 petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil,
 18 fuel oil, treated crude oil, residuum, gas oil, casing-head gasoline, natural
 19 gas gasoline, naphtha, distillate, gasoline, kerosene, benzine, wash oil,
 20 waste oil, blended gasoline, lubricating oil, blends or mixtures of oil with
 21 one (1) or more liquid products or by-products derived from oil or gas, and
 22 blends or mixtures of two (2) or more liquid products or by-products derived
 23 from oil or gas, whether hereinabove enumerated or not;

24 (11) "Illegal oil" means oil which has been produced within the
 25 State of Arkansas from any well during any time that that well has produced
 26 in excess of the amount allowed by rule, regulation, or order of the
 27 commission, as distinguished from oil produced within the State of Arkansas
 28 from a well not producing in excess of the amount so allowed, which is "legal
 29 oil";

30 (12) "Illegal gas" means gas which has been produced within the
 31 State of Arkansas from any well during any time that that well has produced
 32 in excess of the amount allowed by any rule, regulation, or order of the
 33 commission, as distinguished from gas produced within the State of Arkansas
 34 from a well not producing in excess of the amount so allowed, which is "legal
 35 gas";

36 (13) "Illegal product" means any product of oil or gas, any part

1 of which was processed or derived, in whole or in part, from illegal oil or
2 illegal gas or from any product thereof as distinguished from "legal
3 product", which is a product processed or derived to no extent from illegal
4 oil or illegal gas; ~~and~~

5 (14) "Tender" means a permit or certificate of clearance for the
6 transportation of oil, gas, or products, approved and issued or registered
7 under the authority of the commission; and

8 (15) "Operator" means the person who has the right, as an owner
9 or by agreement with an owner, to enter upon the lands of another for the
10 purposes of exploring, drilling, and developing for the production of brine,
11 oil, gas, and all other petroleum hydrocarbons.

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13 SECTION 2. Arkansas Code § 15-72-303 is amended to read as follows:
14 15-72-303. Authority to integrate production in drilling units.

15 (a) When two (2) or more separately owned tracts are embraced within
16 an established drilling unit, when there are separately owned interests in
17 all or part of the drilling unit, or when there are separately owned tracts
18 and separately owned interests in all or part of such drilling unit, the
19 owners thereof may voluntarily pool, combine, and integrate their tracts or
20 interests for the development or operation of that drilling unit.

21 (b) Where the owners fail or refuse voluntarily to integrate their
22 interests, the commission, upon the application of any such owner or
23 operator, shall, for the prevention of waste or to avoid the drilling of
24 unnecessary wells, enter its order integrating all tracts and interests in
25 the drilling unit for the development or operation thereof and the sharing of
26 production therefrom.

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29 APPROVED: 2/11/2005
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