

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.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003
4

A Bill

HOUSE BILL 1943

5 By: Representative Cleveland
6
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For An Act To Be Entitled

9 AN ACT TO AMEND ARKANSAS CODE § 15-72-302
10 PERTAINING TO WELL DRILLING UNITS; AND FOR OTHER
11 PURPOSES.
12

Subtitle

13 AN ACT TO AMEND ARKANSAS CODE § 15-72-
14 302 PERTAINING TO WELL DRILLING UNITS;
15 AND FOR OTHER PURPOSES.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. Arkansas Code § 15-72-302 is amended to read as follows:
22 15-72-302. Just and equitable shares - Preventing waste, avoiding
23 risks, etc. - Drilling units.

24 (a) Whether or not the total production from a pool is limited or
25 prorated, no rule, regulation, or order of the Oil and Gas Commission shall
26 be such in terms or effect:

27 (1) That it shall be necessary at any time for the producer
28 from, or the owner of, a tract of land in the pool, in order that he may
29 obtain the tract's just and equitable share of the production of the pool, as
30 the share is set forth in this section, to drill and operate any well or
31 wells on the tract in addition to the well or wells as can without waste
32 produce the share; or

33 (2) As to occasion net drainage from a tract unless there is
34 drilled and operated upon the tract a well or wells in addition to the wells
35 thereon as can without waste produce the tract's just and equitable share, as
36 set forth in this section, of the production of the pool.



1 (b)(1) For the prevention of waste and to avoid the augmenting and
 2 accumulation of risks arising from the drilling of an excessive number of
 3 wells, the commission shall, after a hearing, establish a drilling unit or
 4 units for each pool, except in those pools which, prior to February 20, 1939,
 5 have been developed to an extent and where conditions are such that it would
 6 be impracticable or unreasonable to use a drilling unit at the present stage
 7 of development.

8 (2)(A) ~~As used in this subchapter, unless the context otherwise~~
 9 ~~requires, "drilling unit" means the maximum area which may be efficiently and~~
 10 ~~economically drained by one (1) well, As used in this subchapter, unless the~~
 11 context otherwise requires, "drilling unit" means a single governmental
 12 section or the equivalent, unless a larger or smaller area is requested by an
 13 operator and is established by order of the commission, and the drilling unit
 14 shall constitute a developed unit as long as a well is located thereon which
 15 is capable of producing oil or gas in paying quantities.

16 (B) The commission shall have the continuing authority to:

17 (i) Designate the number of wells that may be drilled and
 18 produced within a drilling unit; and

19 (ii) Regulate the spacing among multiple wells drilled and
 20 produced within a drilling unit.

21 (c)(1) Each well permitted to be drilled upon any drilling unit shall
 22 be drilled ~~approximately in the center thereof~~ at a location that is in
 23 compliance with rules adopted by the commission, with such exception as may
 24 be reasonably necessary where it is shown, after notice and upon hearing, and
 25 the commission finds, that ~~the unit is partly outside the pool or, for some~~
 26 ~~other reason, a well approximately in the center of the unit would be~~
 27 ~~nonproductive or where topographical conditions are such as to make the~~
 28 ~~drilling approximately in the center of the unit unduly burdensome~~ a well
 29 drilled at a different location is likely to prevent waste or protect
 30 correlative rights of owners within the unit, or both.

31 (2) Whenever an exception is granted, the commission shall take
 32 action to offset any advantage which the person securing the exception may
 33 have over other producers by reason of the drilling of the well as an
 34 exception, and so that drainage from developed units to the tract with
 35 respect to which the exception is granted will be prevented or minimized and
 36 the producer of the well drilled as an exception will be allowed to produce

1 no more than his just and equitable share of the oil and gas in the pool, as
 2 such share is set forth in this section.

3 (d)(1) Subject to the reasonable requirements for prevention of waste,
 4 a producer's just and equitable share of the oil and gas in the pool, also
 5 sometimes referred to as a tract's just and equitable share, is that part of
 6 the authorized production for the pool, whether it is the total which could
 7 be produced without any restriction on the amount of production, or whether
 8 it is an amount less than that which the pool could produce if no restriction
 9 on amount were imposed, which is substantially in the proportion that the
 10 quantity of recoverable oil and gas in the developed area of his tract in the
 11 pool bears to the recoverable oil and gas in the total developed area of the
 12 pool, insofar as these amounts can be practically ascertained.

13 (2) To that end, the rules, regulations, permits, and orders of
 14 the commission shall be such as will prevent or minimize reasonably avoidable
 15 net drainage from each developed unit, that is, drainage which is not
 16 equalized by counter drainage, and will give to each producer the opportunity
 17 to use his just and equitable share of the reservoir energy.

18 (e)(1) The commission may, after public hearing held pursuant to
 19 notice given as required by law and by any rules or orders of the commission,
 20 establish a drilling unit as defined in subsection (b) of this section for an
 21 exploratory well to be drilled therein.

22 (2) Any drilling unit so established shall be comprised of a
 23 governmental section or the equivalent thereof, unless a larger or smaller
 24 area is requested by an operator and is established by order of the
 25 commission, determined by the commission to be prospective of oil or gas, or
 26 both, and the commission shall have the authority to integrate separately
 27 owned tracts embraced therein when the owners thereof fail or refuse
 28 voluntarily to do so, provided that persons who own at least an undivided
 29 fifty percent (50%) interest in the right to drill and produce oil or gas, or
 30 both, from the total proposed unit area agree thereto.

31 (3) However, any such order of the commission and drilling unit
 32 as established for exploratory purposes thereunder shall remain in force for
 33 a period no longer than the later of one (1) year following the effective
 34 date thereof or one (1) year following the cessation of drilling operations
 35 or production within the unit, whereupon the order of the commission and the
 36 provisions thereof shall automatically terminate.