



FAILED

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 820

AMENDMENT NO. 12
(to be filled in by
Principal Clerk)

S820-AMH-89 [v.8]

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Comm. Sub. [YES]
Amends Title [NO]
S820-PCS15242-RI-48

Date 6-14, 2012

Representative Faison

1 moves to amend the bill on page 4, lines 23-24, by rewriting the lines to read:
2 "or both, from any pool or field for the prevention of waste as provided in G.S. 113-394.";
3
4 and on page 17, lines 44-50, by deleting those lines;
5
6 and on page 18, line 34 through page 19, line 43, by rewriting Section 3.(a) of the bill to read:
7 "SECTION 3.(a) G.S. 113-393 reads as rewritten:
8 '§ 113-393. Development of lands as drilling unit by agreement or order of
9 Department agreement.
10 (a) Integration of Interests and Shares in Drilling Unit. - When two or more separately
11 owned tracts of land are embraced within an established drilling unit, the owners thereof may
12 agree validly to integrate their interests and to develop their lands as a drilling unit. Where,
13 however, such owners have not agreed to integrate their interests, the Department shall, for the
14 prevention of waste or to avoid drilling of unnecessary wells, require such owners to do so and
15 to develop their lands as a drilling unit. All orders requiring such integration shall be made after
16 notice and hearing, and shall be upon terms and conditions that are just and reasonable, and will
17 afford to the owner of each tract the opportunity to recover or receive his just and equitable
18 share of the oil and gas in the pool without unnecessary expense, and will prevent or minimize
19 reasonably avoidable drainage from each developed unit which is not equalized by
20 counter drainage. The portion of the production allocated to the owner of each tract included in
21 a drilling unit formed by an integration order shall, when produced, be considered as if it had
22 been produced from such tract by a well drilled thereon.
23 In the event such integration is required, and provided also that after due notice to all the
24 owners of tracts within such drilling unit of the creation of such drilling unit, and provided
25 further that the Department has received no protest thereto, or request for hearing thereon,
26 whether or not 10 days have elapsed after notice has been given of the creation of the drilling
27 unit, the operator designated by the Department to develop and operate the integrated unit shall
28 have the right to charge to each other interested owner the actual expenditures required for such
29 purpose not in excess of what are reasonable, including a reasonable charge for supervision,
30 and the operator shall have the right to receive the first production from the well drilled by him
31 thereon, which otherwise would be delivered or paid to the other parties jointly interested in the
32 drilling of the well, so that the amount due by each of them for his shares of the expense of



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1 ~~drilling, equipping, and operating the well may be paid to the operator of the well out of~~
2 ~~production; with the value of the production calculated at the market price in the field at the~~
3 ~~time such production is received by the operator or placed to his credit. After being reimbursed~~
4 ~~for the actual expenditures for drilling and equipping and operating expenses incurred during~~
5 ~~the drilling operations and until the operator is reimbursed, the operator shall thereafter pay to~~
6 ~~the owner of each tract within the pool his ratable share of the production calculated at the~~
7 ~~market price in the field at the time of such production less the reasonable expense of operating~~
8 ~~the well. In the event of any dispute relative to such costs, the Department shall determine the~~
9 ~~proper costs.~~

10 (b) When Each Owner May Drill. – Should the owners of separate tracts embraced
11 within a drilling unit fail to agree upon the integration of the tracts and the drilling of a well on
12 the unit, and should it be established that the Department is without authority to require
13 integration as provided for in subsection (a) of this section, then, subject to all other applicable
14 provisions of this law, the owner of each tract embraced within the drilling unit may drill on his
15 tract, but the allowable production from each tract shall be such proportion of the allowable for
16 the full drilling unit as the area of such separately owned tract bears to the full drilling unit.

17 (c) Cooperative Development Not in Restraint of Trade. – Agreements made in the
18 interests of conservation of oil or gas, or both, or for the prevention of waste, between and
19 among owners or operators, or both, owning separate holdings in the same oil or gas pool, or in
20 any area that appears from geological or other data to be underlaid by a common accumulation
21 of oil or gas, or both, or between and among such owners or operators, or both, and royalty
22 owners therein, of a pool or area, or any part thereof, as a unit for establishing and carrying out
23 a plan for the cooperative development and operation thereof, when such agreements are
24 approved by the ~~Department, Commission,~~ are hereby authorized and shall not be held or
25 construed to violate any of the statutes of this State relating to trusts, monopolies, or contracts
26 and combinations in restraining of trade.

27 (d) Variation from Vertical. – Whenever the Department fixes the location of any well
28 or wells on the surface, the point at which the maximum penetration of such wells into the
29 producing formation is reached shall not unreasonably vary from the vertical drawn from the
30 center of the hole at the surface, provided, that the ~~Department Commission~~ shall prescribe
31 rules and the Department shall prescribe orders governing the reasonableness of such variation.
32 This subsection shall not apply to wells drilled for the purpose of exploration or development
33 of natural gas through use of horizontal drilling in conjunction with hydraulic fracturing
34 treatments."
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SIGNED _____

Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED 47-62 EV

TABLED _____

JUN 14 2012

Denise Weeks

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