

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H.B. 772
Apr 14, 2015
HOUSE PRINCIPAL CLERK

H

D

HOUSE DRH20253-MH-143 (03/28)

Short Title: Protect NC Citizens From Compulsory Pooling. (Public)

Sponsors: Representatives Salmon and Reives (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROTECT PROPERTY RIGHTS OF NORTH CAROLINA CITIZENS FROM
FORCED POOLING ARRANGEMENTS ASSOCIATED WITH HYDRAULIC
FRACTURING ACTIVITIES ASSOCIATED WITH FOSSIL FUEL EXPLORATION
AND EXTRACTION ACTIVITIES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 113-393 reads as rewritten:

"§ 113-393. **Development of lands as drilling unit by agreement or order of Commission.**

(a) ~~Integration of Interests and Shares in Drilling Unit.~~ When two or more separately owned tracts of land are embraced within an established drilling unit, the owners thereof may agree validly to integrate their interests and to develop their lands as a drilling unit. Where, however, such owners have not agreed to integrate their interests, the Commission shall, for the prevention of waste or to avoid drilling of unnecessary wells, require such owners to do so and to develop their lands as a drilling unit. All orders requiring such integration shall be made after notice and hearing, and shall be upon terms and conditions that are just and reasonable, and will afford to the owner of each tract the opportunity to recover or receive his just and equitable share of the oil and gas in the pool without unnecessary expense, and will prevent or minimize reasonably avoidable drainage from each developed unit which is not equalized by counter drainage. The portion of the production allocated to the owner of each tract included in a drilling unit formed by an integration order shall, when produced, be considered as if it had been produced from such tract by a well drilled thereon.

~~In the event such integration is required, and provided also that after due notice to all the owners of tracts within such drilling unit of the creation of such drilling unit, and provided further that the Commission has received no protest thereto, or request for hearing thereon, whether or not 10 days have elapsed after notice has been given of the creation of the drilling unit, the operator designated by the Commission to develop and operate the integrated unit shall have the right to charge to each other interested owner the actual expenditures required for such purpose not in excess of what are reasonable, including a reasonable charge for supervision, and the operator shall have the right to receive the first production from the well drilled by him thereon, which otherwise would be delivered or paid to the other parties jointly interested in the drilling of the well, so that the amount due by each of them for his shares of the expense of drilling, equipping, and operating the well may be paid to the operator of the well out of production; with the value of the production calculated at the market price in the field at the time such production is received by the operator or placed to his credit. After being reimbursed for the actual expenditures for drilling and equipping and operating expenses incurred during the drilling operations and until the operator is reimbursed, the operator shall~~



1 ~~thereafter pay to the owner of each tract within the pool his ratable share of the production~~
2 ~~calculated at the market price in the field at the time of such production less the reasonable~~
3 ~~expense of operating the well. In the event of any dispute relative to such costs, the~~
4 ~~Commission shall determine the proper costs.~~

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

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

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

30 **SECTION 2.** Section 25 of S.L. 2014-4 is repealed.

31 **SECTION 3.** This act is effective when it becomes law.