

1 **PART I.**

2
3 **SECTION 1. DEFINITIONS.** In this [Act]:

4 (1) "By-product" means a commodity made from oil or gas.

5 (2) "[Commission]" means the [_____].

6 (3) "Developed area" means the spacing unit on which a well has been completed that is capable
7 of producing oil or gas or the acreage that is otherwise attributed to a well by the [commission]
8 for production purposes.

9 (4) "Field" means a general area underlain by a reservoir or reservoirs.

10 (5) "Gas" means a gaseous substance, including natural gas, carbon dioxide, helium, nitrogen,
11 fluid hydrocarbons and by-products of gas production not defined as oil, which is produced by
12 drilling or injected for storage or pressure maintenance.

13 (6) "Geophysical data" means facts, statistics, measurements, or samples gathered by
14 geophysical means such as seismic, gravity, or magnetic surveys, that have not been analysed,
15 processed, or interpreted.

16 (7) "Just and equitable share of the production" means, as to a separately owned tract or
17 combination of tracts, that fraction of the authorized production from a reservoir that corresponds
18 reasonably to the proportion that the amount of recoverable oil or gas under the developed area
19 of that separately owned tract or combination of tracts bears to the recoverable oil or gas in the
20 total of the developed areas in the reservoir.

21 (8) "Native gas," under [Part VIII], means gas that has not been previously withdrawn from the
22 earth.

23 (9) "Natural gas" means gaseous hydrocarbons, including casinghead gas, and gas found in coal
24 beds, and all other hydrocarbons not defined as oil in this [Act] except and not including liquid
25 petroleum gas, and includes gas either while in its original state or after the same has been
26 processed by removal of component parts not essential to its use for light and fuel.

27 (10) "Oil" means crude petroleum, oil, and all hydrocarbons, regardless of gravity, that are in the
28 liquid phase in the reservoir and that are produced and recovered at the wellhead in liquid form
29 and oil extracted from shale or tar sands and a by-product of oil production not defined as gas.

30 (11) "Oil and gas operation" means exploration for oil and gas, including the conduct of
31 geophysical operations and the drilling of test bores; the siting, drilling, deepening, recompletion,
32 reworking, plugging, replugging, abandoning or re-entering an oil and gas well, underground
33 injection well, or gas storage well; production, processing, flow lines, gathering lines,
34 transportation and transporter operations as they pertain to safety, environmental protection, the
35 prevention of waste, the protection of correlative rights, and illegal oil and gas; the generation,
36 transportation, storage, treatment, or disposal of oil, gas, by-product, or refuse used or produced
37 during exploration and production operations; and a related construction, site preparation,
38 recycling, remediation, reclamation operation, or facility.

39 (12) "Operator" means a person who is designated by an operating agreement or by the
40 [commission] as being responsible for an oil and gas operation.

41 (13) "Owner" means a person having the right to drill into and to produce from a reservoir and to
42 appropriate the oil or gas produced therein, either for that person or for that person and others.

43 (14) "Person" means an individual, corporation, business trust, estate, trust, partnership, limited
44 liability company, association, joint venture, government; governmental subdivision, agency, or
45 instrumentality; public corporation, or other legal or commercial entity.

46 (15) "Processing," "processes" or "processed" means an operation which separates oil and gas,

1 treats oil or gas, dehydrates oil or gas, or extracts gas liquids or by-products from oil or gas,
2 including associated compression.

3 (16) "Protection of correlative rights" or "protect correlative rights" means to afford a
4 reasonable opportunity to each owner to recover, or to receive without causing waste, a just and
5 equitable share of the production.

6 (17) "Reasonable market demand" means:
7 (A) the amount of oil reasonably needed for current consumption, use, storage, and working
8 stocks, within and without this state; or
9 (B) the amount of gas reasonably needed for current consumption, use, and storage, within
10 and without this state.

11 (18) "Reservoir" means an underground accumulation of oil or gas or both which is a common
12 source of supply, or one or more underground accumulations of oil or gas or both which by
13 order, permit, rule, or regulation of the [commission] are allowed to be produced on a
14 commingled basis and which are treated by the [commission] as a common source of supply.
15 Unless otherwise determined by an order, permit, rule or regulation of the [commission], each
16 zone of a general structure that is completely separated from another zone in the structure is a
17 separate common source of supply.

18 (19) "Responsible party" means the operator, as well as a person who conducts or controls an oil
19 and gas operation in a manner, whether by act or omission, that contravenes this [Act] or an
20 order, permit, rule, or regulation of the [commission] which threatens to harm or harms air,
21 water, soil, or biological resource and a person who disposes of refuse by mixing it with
22 exploration and production refuse that threatens to harm or harms a resource. "Responsible
23 party" does not mean innocent landowners or royalty owners who do not tamper with an oil and
24 gas operation, interfere with access by the responsible party or the [commission] to remediate the
25 threat of harm or harm to air, water, soil, or biological resource, or assume by written contract
26 express and specific responsibility for an oil and gas operation.

27 (20) "Royalty interest owner" means a person who has a right to a share of production or a
28 payment relating to a share of production, whether in the form of a nonparticipating royalty,
29 lease royalty, overriding royalty, or production payment, but who does not have a present right to
30 drill into and to produce from a reservoir.

31 (21) "Take" or "taken" means to transport, purchase, or remove oil or gas.

32 (22) "Transportation," "transport," "transported," or "transporting" means to gather oil or gas
33 within a field or area and to move it to locations within or outside that field or area, including
34 associated compression, but not including market pipeline transmission.

35 (23) "Underground storage," under [Part VIII], means storage in a subsurface sand, stratum,
36 formation, aquifer, or cavity, cavern or void (whether natural or artificially created).

37 (24) "Waste" means:
38 (A) the inefficient, excessive, or improper use of reservoir energy or unnecessary
39 dissipation of reservoir energy;
40 (B) the inefficient storing of oil or gas;
41 (C) the locating, drilling, equipping, operating, or producing of an oil or gas well in a
42 manner that causes or tends to cause a reduction in the quantity of oil or gas ultimately
43 recoverable from a reservoir under prudent and proper operations, the drilling of
44 unnecessary wells, or the loss or destruction of oil or gas either at the surface or below
45 the surface;
46 (D) the production of oil or gas in excess of pipeline, marketing, or storage capacities, in

1 excess of reasonable market demand, in excess of the amount reasonably required for
2 properly drilling, completing, testing, or operating a well or other facilities for
3 recovering, processing, or transporting oil, gas, or by-products, or in excess of the amount
4 otherwise utilized on the acreage from which the oil or gas is produced; or
5 (E) other dissipation, production, or use of oil or gas underground or above ground, or in
6 storage, that is careless, needless, or without valuable result.

7
8 **PART II.**

9
10 **SECTION 2. WASTE PROHIBITED.** The waste of oil or gas is prohibited. In the event of a
11 conflict between the duty to prevent waste and the duty to protect correlative rights, the primary
12 duty of the [commission] is to prevent waste in a manner that will protect correlative rights to the
13 extent reasonably possible given the [commission]'s primary duty while also assuring the
14 adequate protection of public health, public safety, and the environment.

15 **SECTION 3. SCOPE OF ACT.** This [Act] applies to all lands, operations or activities in this
16 state and to all persons over which this state has regulatory authority. A person conducting an oil
17 and gas operation in this state submits to the jurisdiction of this state and the [commission].

18
19 [Alternative language for possible use in states with large tracts of federal or Indian land:

20 **[[ALTERNATIVE] SECTION 3. SCOPE OF ACT.** This [Act] shall apply to all lands within
21 this state, except as follows:

22 (a) As to lands of the United States or lands which are subject to its supervision, this [Act] shall
23 apply only to the extent necessary to permit the [commission] to protect the correlative rights,
24 health, safety, and the environment. The other provisions of this [Act] shall also apply if the
25 officer of the United States having jurisdiction over the lands approves an order, permit, rule, or
26 regulation of the [commission] purporting to affect the lands.

27 (b) This article shall not apply to lands committed to federal exploratory unit or federal
28 communized unit except to the extent approved by the Department of Interior and except as to
29 affected privately owned or state lands.]

30 **SECTION 4. GENERAL AUTHORITY OF THE [COMMISSION].**

31 The [commission] shall have exclusive authority [,subject only to any applicable local zoning
32 and land-use regulations]:

33 (a) to regulate an oil and gas operation;

34 (b) to prevent the waste of oil, gas, or by-products;

35 (c) to protect correlative rights;

36 (d) to identify reservoirs to be classified or reclassified as oil or gas reservoirs and to classify or
37 reclassify oil or gas wells;

38 (e) to protect public health, public safety, and the environment in relation to other operations or
39 activities regulated by this [Act], including the authority to enter into or approve environmental
40 covenants;

41 (f) to exercise continuing authority over all persons and property necessary to carry out the
42 missions and duties of the [commission];

43 (g) to exercise the right of ingress and egress without warrant to all lands and facilities within the
44 jurisdiction of the [commission];

45 (h) to regulate all lands, operations, and persons within the jurisdiction of the [commission] to
46 assure adequate protection of public health, public safety, and the environment and to

1 investigate, test, analyze, and model as may be necessary to achieve appropriate protection of
2 public health, public safety, and the environment; and
3 (i) to make and enforce orders, permits, rules, and regulations reasonably necessary to promote
4 conservation, to prevent waste, to protect correlative rights, to protect public health, public
5 safety, and the environment, to govern the practice and procedure before the [commission], and
6 to administer and enforce this [Act], including rules as the [commission] may consider
7 reasonably necessary and appropriate to implement the responsibility of this state under federal
8 laws or rules governing activities within the jurisdiction of the [commission].

9 **SECTION 5. SPECIFIC AUTHORITY OF THE COMMISSION.**

10 Without limiting the general authority of the [commission], the [commission] has the exclusive
11 authority to require the following:

12 (a) the permitting of an oil and gas operation;

13 (b) the identification and, absent identification, the designation of the operator responsible for
14 wells, producing areas, tanks, plants, and other facilities for the production, storage, treatment,
15 transportation, or refining of oil and gas and to identify, and as necessary to enforce this [Act]
16 and orders, permits, rules, or regulations of the [commission] to identify other responsible
17 parties;

18 (c) the making and filing with the [commission] of [geophysical data,] well logs, directional
19 surveys, and reports on the location, drilling, and production of wells, but [geophysical data]
20 marked “confidential” must be kept confidential for the period prescribed by the [commission],
21 not exceeding [five (5)] years and] well logs marked “confidential” must be kept confidential for
22 the period prescribed by the [commission], not exceeding [six (6)] months;

23 (d) the sampling and coring of wells and the filing of samples and cores and reports derived from
24 those samples and cores;

25 (e) the drilling, casing, completing, operating, and plugging of wells to prevent:

26 (1) the escape of oil or gas out of the reservoir into another formation;

27 (2) the detrimental intrusion of water or other substance into an oil or gas reservoir that is
28 avoidable by efficient operation;

29 (3) harm or pollution; and

30 (4) blowouts, cave-ins, seepages, and fires;

31 (f) the testing of wells used in oil and gas production, including production, injection, and
32 disposal wells;

33 (g) the separating of the production from wells into gaseous and liquid hydrocarbons, by means
34 and upon standards prescribed by the [commission].

35 (h) the operation of wells at efficient gas-oil or water-oil ratios and the limiting of production
36 from wells with inefficient gas-oil or water-oil ratios;

37 (i) the certification of clearance in connection with transporting or delivering oil, gas, or by-
38 product;

39 (j) the metering or other measuring of oil, gas, or by-product, by means and upon standards
40 prescribed by the [commission];

41 (k) the maintenance of complete and accurate records, available for examination by the
42 [commission] or its agents at all reasonable times, of quantities produced, sold, purchased,
43 acquired, stored, transported, refined, or processed by each person who produces, sells,
44 purchases, acquires, stores, transports, refines, or processes oil, gas, or by-product in this state;

45 (l) the filing of reports, plats, and existing data related to matters within the jurisdiction of the
46 [commission];

1 (m) [the payment of nonparticipating royalties, lease royalties, and overriding royalties in
2 accordance with valuation and accounting standards established by the [commission], including
3 the authority to impair contracts as may be reasonably necessary to achieve a uniform and
4 orderly system of royalty valuation and accounting;] and

5 (n) the construction, operation, suspension, or abandonment by a responsible party of an oil and
6 gas operation within the jurisdiction of the [commission] to protect public health, public safety,
7 or the environment, including the abatement of dust and noise and the establishment of aesthetic,
8 lighting, visual, and location requirements suited to the surrounding area; [and]

9 (o) to solicit bids and enter into contracts to provide for the plugging of wells and for other
10 remedial work to protect public health, safety, and welfare; and

11 (p) to establish and collect fees].

12 **SECTION 6. FINANCIAL ASSURANCE.** The [commission] shall require an operator to
13 furnish a reasonable performance bond or other good and sufficient surety, including cash
14 deposits, but excluding mere financial statements, conditioned on the performance of the duty to
15 plug each dry or abandoned well, to plug, repair, remediate, or replug each well causing waste or
16 pollution, reclaim impoundments, restore well sites, or properly operate and close a commercial
17 oil and gas waste disposal facility. The [commission] may require a responsible party to furnish a
18 reasonable performance bond or other good and sufficient surety conditioned on compliance with
19 a provision of this [Act] or underlying regulation.

20 **SECTION 7. ADDITIONAL AUTHORITY OF THE COMMISSION.** Without limiting the
21 general authority of the [commission], the [commission] has the additional exclusive authority to
22 regulate the following [, subject only to the authority of [another state agency] to regulate air
23 pollution, water pollution, and water-use permits]:

24 (a) the drilling, testing, equipping, completing, operating, producing, and plugging of wells and
25 other operations for and related to the production of oil or gas, including transporting,
26 processing, loading, and tracing oil and gas;

27 (b) the stimulation and treatment of wells;

28 (c) the spacing and location of wells, including the authority to establish spacing units;

29 (d) the disposal of salt water and field wastes and underground storage of oil, gas, or by-product;

30 (e) the amount of oil or gas that may be produced without waste from a field, reservoir, or
31 developed area and the allocation of the allowed production to and among the wells in fields,
32 reservoirs, or areas in this state;

33 (f) the venting and flaring of gas; and

34 (g) a unit operation of any kind.

35 36 **PART III.**

37 38 **SECTION 8. ALLOCATION OF PRODUCTION.**

39 (a) If the [commission] limits the amount of oil, gas, or by-product produced in this state, the
40 [commission] may allocate the allowable production among fields or reservoirs on a reasonable
41 basis, including the setting of allocation priorities as may be necessary to prevent waste or to
42 protect correlative rights. The [commission] may allocate the allowable production of oil, gas, or
43 by-product to prevent undue discrimination among fields and reservoirs as a result of selective
44 buying or nomination by purchasers.

45 (b) When the [commission] has permitted production by commingling oil or gas, or oil and gas
46 from multiple stratigraphic or lenticular accumulations of oil or gas, the [commission] may

1 allocate, distribute, or apportion the production of commingled separate multiple stratigraphic or
2 lenticular accumulations of oil or gas, or oil and gas as if they were a single common source of
3 supply.

4 **SECTION 9. RATABLE PRODUCTION OF OIL AND GAS.**

5 (a) To prevent unreasonable discrimination in favor of one pool against another, and on written
6 complaint and proof of discrimination, the [commission] may allocate or apportion the allowable
7 production of oil on a fair and reasonable basis among the various pools in this state. In fixing
8 the allowable production of oil based on reasonable market demand, the [commission] is not
9 required to determine the reasonable market demand applicable to a single field or reservoir,
10 except in relation to other fields and reservoirs and in relation to the reasonable market demand
11 applicable to this state. In allocating the allowable production of oil to fields and reservoirs, the
12 [commission] may consider, but is not bound by, nominations of purchasers to purchase from
13 particular fields or reservoirs. In allocating or ascertaining the reasonable market demand for the
14 entire state, the reasonable market demand of one pool shall not be discriminated against in favor
15 of another pool. The [commission] shall determine the reasonable market demand of the
16 respective pool as the basis for determining the allotments to be assigned to the respective pool
17 so that discrimination may be prevented.

18 (b) If full production from wells producing gas, including a gas by-product, from a common
19 source of supply of gas in this state is in excess of the reasonable market demand, the
20 [commission] shall inquire into the production and reasonable market demand for the gas and
21 shall determine the allowable production from the common source of supply. The allowable
22 production from a common source of supply is that portion of the reasonable market demand that
23 can be produced without waste. The [commission] shall allocate, distribute, or apportion the
24 allowable production from the common source of supply among the various owners on a
25 reasonable basis and shall limit the production of each owner to the amount allocated or
26 apportioned to the owner. The [commission] may give priority to the production of gas from oil
27 wells when allocating the allowable production of gas under this section.

28
29 **PART IV.**

30
31 **SECTION 10. WELL SPACING.**

32 (a) [Except for exploratory units established under [Part VII], after] [After] discovery of oil or
33 gas, the [commission], to prevent waste and to protect correlative rights, shall issue an order
34 establishing a field and reservoir, providing for allowable production, and providing for uniform
35 well spacing units, which may be established in accordance with applicable statewide spacing
36 rules. Except as otherwise provided in subsection (b), and in light of the information available to
37 the [commission] at the time of an order establishing spacing units for a reservoir, a spacing unit
38 must consist of the maximum area of a reservoir that may be efficiently and economically
39 drained by one well, and an order establishing spacing units for a reservoir must cover lands
40 determined or reasonably believed to be underlain by that reservoir.

41 (b) If reasonably necessary to prevent waste or to protect correlative rights, the [commission]
42 may establish a spacing unit that is larger or smaller than the uniform spacing units for a
43 reservoir, but that larger or smaller spacing unit must produce in proportion to the size of the
44 uniform units established for that reservoir.

45 (c) The [commission] may grant exceptions to applicable spacing rules when the [commission]
46 determines that one or more of the following conditions exist:

- 1 (1) A topographic condition makes drilling in compliance with spacing rules unduly
- 2 burdensome.
- 3 (2) An environmental consideration makes drilling in compliance with spacing rules unduly
- 4 harmful or potentially harmful to the environment.
- 5 (3) A spacing unit is partly outside the reservoir.
- 6 (4) A well drilled in compliance with spacing rules is or will be noncommercial.
- 7 (5) Oil and gas confiscation will be prevented.
- 8 (6) The exception will otherwise prevent waste or protect correlative rights.
- 9 (7) The owners adversely affected by an exception to applicable spacing rules consent to that
- 10 exception.

11 (d) If an exception to applicable spacing rules is granted, the [commission] shall take whatever

12 action may be reasonably necessary to protect correlative rights, including adjustment of the

13 well's rate of production.

14 (e) An order establishing spacing rules may be modified by the [commission] from time to time

15 to prevent waste or to protect correlative rights, including the addition of lands determined to be

16 underlain by the reservoir or to the exclusion of lands determined not to be underlain by the

17 reservoir. The [commission], if reasonably necessary to prevent waste or to protect correlative

18 rights, may change the size or shape of one or more spacing units or permit the drilling of

19 additional wells on a reasonably uniform spacing pattern.

20 (f) Unless specifically authorized by the [commission], upon completion of a producing well not

21 subject to applicable spacing rules, additional wells may not be commenced for production from

22 that reservoir until an order establishing spacing rules is adopted. The [commission] shall

23 provide for the retroactivity of an initial order establishing spacing rules for a reservoir to the

24 date that notice of a hearing to establish spacing units for the reservoir was issued, but may

25 provide for retroactivity to the date of first production for the discovery well for that reservoir.

26 (g) The [commission] may establish horizontal well spacing units for horizontal drilling and

27 development of a common source of supply. A horizontal well is an oil or gas well drilled,

28 completed or recompleted in a manner in which the horizontal component of the completion

29 interval in the geological formation exceeds the vertical component in the geological formation

30 and which horizontal component extends a minimum of [one hundred fifty (150) feet] into the

31 formation. A horizontal well spacing unit may be established for a common source of supply for

32 which there are already established non-horizontal well spacing units. A horizontal well spacing

33 unit may include within the boundaries thereof more than one existing non-horizontal well

34 spacing unit for the common source of supply. A horizontal well spacing unit may exist

35 concurrently with producing non-horizontal well spacing units; however, where there are no

36 producing non-horizontal well spacing units, a horizontal well spacing unit shall supersede

37 existing non-developed non-horizontal well spacing units for the duration of the horizontal well

38 spacing unit.

39 [(h) In case of a spacing unit of [one hundred sixty (160) acres] or more, no oil and gas leasehold

40 interest outside the spacing unit involved may be held by production from the spacing unit more

41 than [ninety (90) days] beyond the expiration of the primary term of the lease.]

42

43

44 **PART V.**

45

46 **SECTION 11. POOLING.**

1 (a) When two or more separately owned tracts or interests are within an existing or proposed
2 spacing unit, the persons owning the tracts or interests may voluntarily pool their tracts or
3 interests.

4 (b) In absence of voluntary pooling and upon application by an owner within a unit, the
5 [commission] may, either before or after drilling, enter an order pooling all tracts and interests
6 within the spacing unit. All operations, including the commencement, drilling, operation, or
7 production of a well, upon a portion of a pooled spacing unit shall be deemed the
8 commencement, drilling, operation, or production of a well upon each separately owned tract or
9 interest in the unit. That portion of the production allocated to a separately owned tract or interest
10 included in a unit shall be deemed produced from that tract or interest. To protect correlative
11 rights, the [commission] may provide for the retroactivity of a pooling order to the date that
12 notice of a hearing to establish spacing units for the reservoir was issued and may provide for
13 retroactivity to the date of first production for the discovery well for that reservoir.

14 (c) In a pooling order, the [commission] shall designate an owner to serve as operator of the unit
15 to manage and supervise the drilling, completion, operation, and plugging and abandonment of
16 the well or wells on a pooled unit. All owners shall share in reasonable costs of drilling,
17 completing, operating, and plugging and abandonment of the well or wells on a pooled unit.
18 Production and costs associated with a pooled unit must be allocated among the owners in that
19 unit in the same proportion each owner's acreage in the unit bears to the total acreage in the unit
20 or must be allocated according to a method approved by the [commission]. The [commission]
21 may reallocate production and costs to prevent waste or to protect correlative rights and may
22 equitably reallocate costs.

23 (d) An owner whose tract or interest has been involuntarily pooled may elect not to participate in
24 a proposed operation in which case the operator may recover on behalf of all participating
25 owners that owner's share of the costs of the operation out of any resulting production, plus a
26 risk and interest penalty not to exceed [three hundred (300)] percent of the owner's share of these
27 costs.

28 **SECTION 11. POOLING (OKLAHOMA STYLE ALTERNATIVE)**

29 (a) When there are separately owned tracts, or when there are separately owned undivided
30 interests, or when there are both separately owned tracts and separately owned undivided
31 interests embraced within a well spacing unit, the owners thereof may validly pool their interests
32 and develop their lands as a unit. Where, however, the owners within a well spacing unit have
33 not agreed to pool their tracts and interests for joint operations and development and where one
34 or more owners have drilled or propose to drill a well on a well spacing unit to the common
35 source of supply, the [commission], to prevent waste or to protect correlative rights, shall require
36 all owners to pool and develop their interests and lands in the well spacing unit.

37 (b) The pooling applicant shall give all owners whose addresses are known or could be known
38 through the exercise of due diligence proper notice of the application and hearing as required by
39 law.

40 [(b) [Alternative] The pooling applicant shall give all owners whose addresses are known or
41 could be known through the exercise of due diligence at least [thirty (30)] days' notice by mail,
42 return receipt requested. The applicant shall also give notice by one publication, at least [thirty
43 (30)] days before the hearing, in [the official newspaper] [newspaper of general circulation
44 published] in the county or counties where the affected tracts or interests are located. The
45 applicant shall file proof of publication and an affidavit of mailing with the [commission].]

1 (c) An order requiring pooling shall be made after notice and hearing, and upon terms and
2 conditions that are just and reasonable and will afford to the owner of a tract or interest in the
3 unit the opportunity to recover or receive without unnecessary expense his just and fair share of
4 the oil and gas.

5 (d) The portion of the production allocated to the owner of each tract or interest included in a
6 well spacing unit formed by a pooling order shall, when produced, be considered as if produced
7 by the owner from the separately owned tract or interest by a well drilled thereon.

8 (e) The pooling order of the [commission] shall designate an operator and make definite
9 provisions for the payment of costs of the development and operation, which shall be limited to
10 the actual expenditures required for that purpose not in excess of what are reasonable, including
11 a reasonable charge for supervision. In the event of a disputed cost, the [commission] shall
12 determine proper costs after due notice to interested parties and a hearing.

13 (f) The operator of a pooled unit, in addition to other rights provided by the pooling order of the
14 [commission], shall have liens on the oil or gas estates or rights of the other owners therein and
15 upon their shares of the production from the unit to the extent that costs incurred in the
16 development and operation upon the unit are a charge against the estates or interests by order of
17 the [commission] or by operation of law. These liens shall be separable as to each separate owner
18 within the unit, and shall remain liens until the operator has been paid the amount due under the
19 terms of the pooling order.

20 (g) The [commission] is authorized to provide that the owner or owners paying for the drilling or
21 operation of a well shall be entitled, subject to the payment of royalty, if any, to that production
22 from the well that would be received by the nonpaying owner or owners for whose benefit the
23 well was drilled or operated until the paying owners have been paid the amount due under the
24 terms of the pooling order or order settling the dispute. No part of the production or proceeds
25 accruing to an owner of a separate tract or interest in a well spacing unit shall be applied toward
26 payment of costs properly chargeable to another tract or interest in the well spacing unit.

27 (h) For the purpose of this section, the owner or owners of oil or gas estates or rights in an
28 unleased tract of land shall be regarded as a lessee to the extent of not more than a [seven-eighths
29 (7/8)] interest in and to the rights and a lessor to the remaining interest therein.

30 (i) In the event a producing well or wells are completed upon a well spacing unit where there are,
31 or may thereafter be, two or more separately owned tracts or interests, each royalty interest
32 owner shall share in all production from the well or wells drilled within the unit, or in a shut-in
33 royalty as to which the royalty interest owner may be entitled under a lease or other instrument
34 and covering a separately owned tract or interest in the unit, to the extent of the royalty interest
35 owner's interest in the unit. Each royalty interest owner's share in the unit shall be the percentage
36 of royalty owned in each separate tract or interest by the royalty interest owner, multiplied by the
37 proportion that the acreage in each separately owned tract or interest bears to the entire acreage
38 of the unit.

39 **SECTION 12. ANTITRUST IMMUNITY FOR VOLUNTARY UNITS.**

40 (a) An agreement to develop a well spacing unit jointly or an agreement for the joint
41 development or operation of a field, reservoir, or part thereof, may be submitted to the
42 [commission] for approval as being in the public interest or reasonably necessary to prevent
43 waste or to protect correlative rights. Approval by the [commission] is a full defense to a civil
44 action charging violation of a statute of this state relating to trusts and monopolies because of the
45 agreement or because of operations conducted under the agreement.

46 (b) Failure to submit an agreement to the [commission] for approval does not imply or constitute

1 evidence that the agreement or operations conducted pursuant thereto are in violation of laws
2 relating to trusts and monopolies.

3
4 **PART VI.**

5
6 **SECTION 13. COMPULSORY UNIT OPERATION—CREATION.**

7 The [commission], upon its own motion or upon application of an owner, shall conduct a hearing
8 to consider the need for unit operation of an entire reservoir or portion thereof, to increase
9 ultimate recovery of oil or gas from that reservoir or portion thereof. The [commission] shall
10 issue an order requiring unit operation if it finds that unit operation of the reservoir or portion
11 thereof is reasonably necessary to prevent waste or to protect correlative rights; that unit
12 operation of the reservoir or portion thereof is reasonably necessary for maintaining or restoring
13 reservoir pressure, or to implement cycling, water flooding, enhanced recovery, horizontal
14 drilling, de-watering, or a combination of these operations or other operations or objectives to be
15 cooperatively pursued with the goal of increasing the ultimate recovery of oil or gas; and that the
16 estimated cost to conduct the unit operation will not exceed the value of the estimated recovery
17 of additional oil or gas resulting from unit operation.

18 **SECTION 14. COMPULSORY UNIT OPERATION—APPLICATION.**

19 (a) An application for compulsory unitization shall contain, at a minimum, a description of the
20 proposed unit and the vertical limits to be included therein with a map or plat thereof attached; a
21 statement that the reservoir or portion thereof involved in the application area has been
22 reasonably defined by development; a statement of the type of operations contemplated for the
23 unit area; the proposed plan of unitization; a proposed operating plan that addresses the manner
24 in which the unit will be supervised and managed and costs allocated and paid.

25 (b) The [commission] may, by regulation, impose additional requirements for an application for
26 compulsory pooling.

27 **SECTION 15. COMPULSORY UNIT OPERATION—ORDER FOR UNIT
28 OPERATION.**

29 (a) An order for a unit operation must be upon just and reasonable terms and conditions and shall
30 include all of the following:

- 31 (1) a precise definition of the vertical and horizontal limits of the unit area;
- 32 (2) a statement of the nature of the operation contemplated;
- 33 (3) a provision designating one of the owners as operator of the unit and providing a means to
34 remove the operator and designating a successor operator;
- 35 (4) a provision for recording in the [county] land records documents sufficient to give
36 constructive notice of the establishment of the unit operation respecting all lands included in
37 the unit area;
- 38 (5) a provision to protect correlative rights, allocating to each separately owned tract in the
39 unit area a just and equitable share of the production that is produced and saved from the unit
40 area, other than production used or unavoidably lost in the conduct of the unit operation;
- 41 (6) a provision for credits and charges to adjust among owners in the unit area for their
42 interest in wells, tanks, pumps, machinery, materials, and equipment that contribute to the
43 unit operation;
- 44 (7) a provision that describes:
 - 45 (A) how the costs of unit operation, including capital investments and costs of
46 terminating the unit operation, are to be determined and charged to each owner or the

1 interest of each owner;

2 (B) how, when, and by whom the share of unit production allocated to an owner who
3 does not pay the share of those costs charged to that owner or to the interest of that owner
4 may be sold and the proceeds applied to the payment of that owner's share of those costs;
5 and

6 (C) how accounts will be settled upon termination of the unit.

7 (8) a provision, if reasonable, for carrying or otherwise financing an owner who elects to be
8 carried or otherwise financed, which allows a reasonable charge for the cost and risk of that
9 service payable out of that owner's share of the production;

10 (9) a provision for the supervision and conduct of the unit operation, in respect to which each
11 owner is entitled to a vote whose value corresponds to the percentage of the costs of the unit
12 operation chargeable to that owner or to the interest of that owner;

13 (10) a time when the unit operation is to commence and the manner in which, and the
14 circumstances under which, the unit operation is to terminate and the unit is to be dissolved;
15 and

16 (11) additional provisions found to be appropriate to carry on the unit operation, to prevent
17 waste, and to protect correlative rights.

18 (b) An order for a unit operation may provide for a unit operation of less than the whole of a
19 reservoir so long as the unit area is of size and shape reasonably required for that purpose and the
20 conduct thereof will have no significant adverse effect upon other portions of the reservoir.

21 **SECTION 16. COMPULSORY UNIT OPERATION—TERMINATION.**

22 The [commission], upon its own motion or upon the application of an owner, may for good cause
23 terminate a unit operation and dissolve the unit on just and equitable terms. If not terminated
24 earlier, the unit operation shall terminate upon final cessation of production from the reservoir or
25 unitized portion thereof and the plugging and abandonment of unit wells and facilities. At the
26 time of dissolution of the unit operation, the operator shall file with the [commission] and record
27 in the [county] land records of the [county] or [counties] documents sufficient to give
28 constructive notice of the dissolution of the unit operation respecting the lands that were included
29 in the unit area.

30 **SECTION 17. UNIT AGREEMENT—EFFECTIVE DATE OF COMPULSORY UNIT.** An

31 order requiring a unit operation shall not become effective until a unit agreement, approved by
32 the [commission], has been signed and approved in writing by the owners of at least [sixty (60)]
33 percent as costs are shared under terms of the allocation of costs under [Section 15(a)] and the
34 royalty interest owners of at least [sixty (60)] percent, excluding owners of overriding royalties,
35 production payments, and other interests carved from a working interest, in the unit area as
36 revenues are distributed under the terms of the allocation under [Section 15(a)]. The unit
37 agreement is subordinate to the terms of an order requiring a unit operation and to an order
38 amending an order requiring a unit operation.

39 **SECTION 18. CHANGES IN A COMPULSORY UNIT—UNITIZATION OF LESS
40 THAN ALL OF A RESERVOIR—AMENDMENTS TO UNIT ORDER.**

41 (a) The [commission] may approve additions to the unit of portions of a reservoir not previously
42 included within the unit and may extend the unit area as reasonably necessary to prevent waste or
43 to protect correlative rights. The [commission] may approve exclusions from the unit area as
44 reasonably necessary to prevent waste or to protect correlative rights. An order adding to or
45 excluding from a unit area must be upon just and reasonable terms. An order to provide for an
46 addition to a unit area may not become effective until approved by the owners of at least [sixty

1 (60)] percent as costs are shared in the area to be added to unit operation under the terms of the
2 order and [sixty (60)] percent of the royalty interest owners in the area to be added as revenues
3 are distributed under the terms of the order. An order providing for an exclusion from a unit area
4 may not become effective until approved by the owners of at least [sixty (60)] percent as costs
5 are shared under terms of the allocation of costs under [Section 15(a)] in the original unit area
6 and the royalty interest owners of at least [sixty (60)] percent, excluding owners of overriding
7 royalties, production payments, and other interests carved from a working interest, as revenues
8 are distributed under the terms of the allocation under [Section 15(a)] in the original unit area,
9 but if the [commission] determines that the area to be excluded does not overlie the reservoir,
10 then the order excluding the area shall become effective without approval of owners or royalty
11 interest owners.

12 (b) An order providing for unit operation may be amended by an order of the [commission] in
13 the same manner and subject to the same conditions as an original order providing for the unit
14 operation, except that the approval of the amendment by royalty interest owners whose interests
15 are free of cost is not required if the amendment affects only the rights and interests of the
16 owners who are subject to costs.

17 **SECTION 19. EFFECT OF COMPULSORY UNITIZATION.**

18 (a) Operations, including the commencement, drilling, or operation of a well upon a portion of a
19 unit area, are deemed conducted on each separately owned tract in the unit area by the owner or
20 owners thereof. That portion of a unit's production allocated to a separately owned tract in a unit
21 area, when produced, is deemed produced from a well drilled on that tract. Operations conducted
22 under an order of the [commission] providing for a unit operation shall constitute fulfillment of
23 expressed or implied obligations of a lease or contract covering lands within the unit area to the
24 extent that compliance with those obligations is not possible without a further order of the
25 [commission].

26 (b) That portion of unit production allocated to a tract and the proceeds of sale for that portion
27 are deemed the property and income of the several persons to whom or to whose credit that
28 portion is allocated or payable under the order providing for unit operation.

29 (c) A division order or other contract relating to a sale or purchase of production from a
30 separately owned tract or combination of tracts remains in force and applies to oil and gas
31 allocated to the tract until terminated in accordance with provisions of the order providing for
32 unit operation.

33 (d) Except to the extent that all affected parties agree, an order providing for unit operation does
34 not result in a transfer of all or part of a person's title to the oil and gas rights in a tract in the unit
35 area.

36 (e) All property, whether real or personal, that may be acquired in the conduct of a unit operation
37 hereunder is deemed acquired for the account of the owners within the unit area and is deemed
38 the property of the owners in the proportion that the expenses of the unit operation are charged.

39 (f) The creation of a unit operation shall not constitute approval or permitting of underground
40 injection operations for a well or wells. Injection operations, whether for storage, disposal, or
41 enhanced recovery, must be separately approved and permitted.

42 (g) The creation of a unit operation shall not constitute approval or permitting of the use of fresh
43 water. Use of fresh water must be separately approved and permitted.

44 **SECTION 20. OVERLAPPING UNITS.** The [commission] may issue an order for the unit
45 operation of a reservoir or reservoirs or parts thereof that include a unit created by a prior order
46 of the [commission] or by voluntary agreement. This subsequent order, in providing for the

1 allocation of the unit's production, must treat first the unit area previously created as a single
2 tract and then allocate, in the same proportions as those specified in the prior order, the portion
3 of the new unit's production allocated to the previous unit among the separately owned tracts
4 included in the previously created unit area.

5 **SECTION 21. ANTITRUST IMMUNITY FOR COMPULSORY UNIT OPERATION.** An
6 order or permit and related agreements in the interest of conservation of oil or gas and for the
7 prevention of waste to explore, to develop, to produce, to maintain or restore reservoir pressure,
8 to cycle, to water flood, to de-water, to engage in an operation to enhance recovery, or to engage
9 in a combination of those operations, or in another method of unit or cooperative development
10 and operation of a reservoir or portion thereof is authorized and does not violate statutes relating
11 to trusts, monopolies, or contracts and combinations in the restraint of trade.

12
13 **PART VII.**

14
15 **SECTION 22. COMPULSORY EXPLORATORY UNITS—CREATION.** The
16 [commission], upon application of an owner, shall conduct a hearing to consider the need for an
17 exploratory unit operation in a specified area [not exceeding [_____] acres]. The
18 [commission] shall issue an order requiring an exploratory unit operation, if it finds that all of the
19 following conditions exist:

20 (1) Exploratory unit operation for that area or portion thereof is reasonably necessary to
21 prevent waste, to encourage reasonable, orderly, effective, and efficient exploration and
22 potential development, to avoid the drilling of potentially unnecessary wells, and to protect
23 correlative rights.

24 (2) The estimated costs of conducting the exploratory unit operation are reasonable in light of
25 the risk that exploration may prove to be unsuccessful and in light of the potential rewards of
26 successful exploration and discovery of oil or gas.

27 **SECTION 23. COMPULSORY EXPLORATORY UNITS—ORDER FOR**
28 **EXPLORATORY UNIT OPERATION.**

29 An order for an exploratory unit operation must be upon just and reasonable terms and
30 conditions and must include all of the following:

31 (1) a description of the area, a description of the geologic formations, and minimum [which
32 may not be less than [_____] feet below sea level], and maximum depths for
33 the exploratory unit operation;

34 (2) a provision for the recordation in the [county] land records of documents sufficient to give
35 constructive notice of the unit operation regarding all lands included in the unit area;

36 (3) a statement of the nature of and the plan for exploration, appraisal, development,
37 production, and abandonment contemplated;

38 (4) a provision to protect correlative rights allocating to each separately owned tract in the
39 exploratory unit area a just and equitable share of production that may be produced and saved
40 from that unit area, other than production used or unavoidably lost in the conduct of the
41 exploratory unit operation;

42 (5) a provision for credits and charges as an adjustment among owners in the unit area for
43 their interest in geological studies, geophysical data and related processing and
44 interpretations, or other information that contributes to the exploratory unit operation;

45 (6) provisions for:

46 (A) how the costs of the exploratory unit operation, including capital investments and

1 costs of terminating exploratory unit operation, are to be determined and charged to each
2 owner or the interest of each owner;

3 (B) how those costs are to be paid; and

4 (C) how, when, and by whom the unit interest of, or production from, the exploratory
5 unit operation allocated to an owner who does not pay the share of those costs charged to
6 that owner or to the interest of that owner may be sold and the proceeds applied to the
7 payment of that owner's share of those costs;

8 (7) a provision for acquiring and allocating the interest of an owner and for compensating that
9 owner for that interest where that owner elects not to participate in the exploratory unit
10 operation;

11 (8) a provision for compensating an owner whose interest is excluded from the unit if that
12 interest is determined to be non-productive;

13 (9) a provision for the creation of subunits if more than one reservoir is discovered and
14 developed;

15 (10) a provision, if reasonable, for carrying or otherwise financing an owner who elects to be
16 carried or otherwise financed during the development phase of the exploratory unit operation,
17 allowing for a reasonable charge for cost and risk of that service payable out of that owner's
18 share of the production;

19 (11) a provision for the supervision and conduct of the exploratory unit operation, with
20 respect to which each owner is entitled to a vote whose value corresponds to the percentage
21 of the costs of the exploratory unit operation chargeable to that owner or to the interest of
22 that owner, which may be subject to change as the unit is modified;

23 (12) a time when the exploratory phase is to commence and the duration of that phase, a time
24 when the appraisal phase is to commence (or the unit is to be dissolved) and the duration of
25 that phase, a time when the development phase is to commence (or the unit is to be
26 dissolved) and the duration of that phase, the time when the productive phase is to commence
27 (or the unit is to be dissolved) and the duration of that phase, which must be for so long as oil
28 or gas is produced in paying quantities with sufficient time thereafter for the proper
29 abandonment of the exploratory unit operation;

30 (13) the various circumstances for each phase of the exploratory unit operation under which
31 the unit is to be reduced in size or the exploratory unit operation is to terminate and unit is to
32 be dissolved; and

33 (14) additional provisions found to be appropriate for carrying on the exploratory unit
34 operation, to prevent waste, and to protect correlative rights.

35 **SECTION 24. EXPLORATORY UNIT AGREEMENT—EFFECTIVE DATE OF**
36 **COMPULSORY EXPLORATORY UNIT.**

37 An order requiring an exploratory unit operation
38 may not become effective until a unit agreement, approved by the [commission], has been signed
39 and approved or ratified in writing by the owners of at least [sixty (60)] percent as costs are
40 shared under terms of the allocation of costs under [Section 23] and the royalty interest owners
41 of at least [sixty (60)] percent, excluding owners of overriding royalties, production payments,
42 and other interests carved from a working interest, in the unit area as revenues are distributed
43 under the terms of the allocation under [Section 23]. An order providing for unit operation may
44 be amended by an order made by the [commission] in the same manner and subject to the same
45 conditions as an original order providing for the unit operation, except that the approval of the
46 amendment by royalty interest owners whose interests are free of cost is not required if the
amendment affects only the rights and interests of the owners who are subject to costs, and if the

1 amendment is necessary to protect correlative rights, no approval of the amendment by owners
2 and royalty interest owners is required. The unit agreement is subordinate to the terms of an
3 order requiring a unit operation and to an order amending an order requiring a unit operation.

4 **SECTION 25. CHANGES IN A COMPULSORY EXPLORATORY UNIT—**
5 **AMENDMENT OF EXPLORATORY UNIT ORDER.**

6 (a) The [commission] may approve additions to the unit of portions of a reservoir not previously
7 included within the unit, may extend the unit area as reasonably necessary, and may combine
8 two or more exploratory units in whole or in part to prevent waste, to protect correlative rights,
9 and to achieve effective and efficient exploratory unit operation. The [commission] may approve
10 reductions to a unit area as reasonably necessary to prevent waste, to protect correlative rights,
11 and to achieve effective and efficient exploratory unit operation. An order adding to or excluding
12 from a unit area must be upon just and reasonable terms. An order to provide for an addition to
13 or extension of the unit area may not become effective until approved by the owners of at least
14 [sixty (60)] percent as costs are shared in the area to be added to the exploratory unit operation
15 under the terms of the order and [sixty (60)] percent of the royalty interest owners in the area to
16 be added as revenues are distributed under the terms of the order. An order to combine two or
17 more exploratory units in whole or in part may not become effective until approved by the
18 owners of at least [sixty (60)] percent as costs are shared in each of the unit areas or parts thereof
19 to be combined under the terms of each order requiring exploratory unit operation and [sixty
20 (60)] percent of the royalty interest owners in each of the unit areas or parts thereof to be
21 combined as revenues are distributed under the terms of each order requiring exploratory unit
22 operation. Nevertheless, if the [commission] determines by clear and convincing evidence that
23 the area to be excluded does not overlie the reservoir, then the order excluding the area becomes
24 effective without approval of owners or royalty interest owners.

25 (b) The [commission] may modify from time to time the nature and the plan for exploration,
26 appraisal, development, and production as reasonably necessary to prevent waste, to protect
27 correlative rights, and to achieve effective and efficient exploratory unit operation.

28 **SECTION 26. COMPULSORY EXPLORATORY UNITS—TERMINATION.**

29 The [commission], upon its own motion or upon the application by an owner, may for good
30 cause terminate an exploratory unit operation and dissolve the unit. Good cause includes the
31 failure of owners to prosecute a phase of the exploratory unit operation or plan with due
32 diligence. At the time of dissolution of the exploratory unit operation, the operator shall file with
33 the [commission] and record in the [county] land records of the [county] or [counties] documents
34 sufficient to give constructive notice of the dissolution of the exploratory unit operation
35 respecting all lands that were included in the unit area.

36 **SECTION 27. EFFECT OF COMPULSORY EXPLORATORY UNITIZATION.**

37 (a) Operations, including the commencement, geophysical surveying, drilling, or operation of a
38 well upon a portion of the unit area, are deemed the conduct of the operations on each separately
39 owned tract in the exploratory unit area by the owners, but only to the extent of the geologic
40 formations and depths included in the exploratory unit. A portion of exploratory unit production
41 allocated to a separately owned tract in an exploratory unit area, when produced, is deemed
42 produced from a well drilled on that tract, but only to the extent of the geologic formations and
43 depths included in the exploratory unit. Operations conducted under an order of the
44 [commission] providing for an exploratory unit operation constitute a fulfillment of expressed or
45 implied obligations of a lease or contract covering lands in an exploratory unit area to the extent
46 that compliance with those obligations cannot be had without the order of the [commission], but

1 only to the extent of the geologic formations and depths included in the exploratory unit.

2 (b) That portion of exploratory unit production allocated to a tract and the proceeds of sale for
3 that portion are deemed the property and income of the several persons to whom or to whose
4 credit that portion is allocated to or payable to under the order providing for exploratory unit
5 operation.

6 (c) Except to the extent that all affected parties agree, an order providing for exploratory unit
7 operation does not result in a transfer of all or part of a person's title to the oil and gas rights in a
8 tract in the unit area.

9 (d) All property, whether real or personal, that may be acquired in the conduct of an exploratory
10 unit operation hereunder is deemed acquired for the account of the owners within the exploratory
11 unit area and is deemed the property of the owners in the proportion that the expenses of the
12 exploratory unit operation are charged.

13 (e) An order providing for an exploratory unit operation may not be construed to result in a
14 transfer of the part of a title of a person to the oil and gas rights in a tract in the unit area unless
15 the affected person agrees to that transfer.

16 **SECTION 28. ANTITRUST IMMUNITY FOR EXPLORATORY UNIT OPERATION.**

17 An agreement in the interest of conservation of oil or gas for an exploratory unit operation is
18 authorized and can not be held or construed to violate statutes relating to trusts, monopolies, or
19 contracts and combinations in the restraint of trade.

20
21 **PART VIII.**

22
23 **SECTION 29. JURISDICTION TO REGULATE UNDERGROUND GAS STORAGE.** The
24 [commission] shall have the exclusive jurisdiction and authority to regulate the underground
25 storage of gas within the boundaries of the state. In exercising jurisdiction, the [commission]
26 shall have and may exercise all powers and authorities granted to it in the [Model Oil and Gas
27 Conservation Act] with respect to holding hearings and enforcing orders, permits, rules, or
28 regulations.

29 **SECTION 30. ADOPTION OF RULES AND REGULATIONS.** The [commission] shall
30 promulgate rules and regulations establishing requirements, procedures and standards for the
31 underground storage of gas for the purpose of protecting the safety and property of the people of
32 the state, preventing surface and subsurface water pollution and soil pollution, preventing waste,
33 and protecting correlative rights. These rules and regulations shall include provisions for the
34 permitting, monitoring and inspecting of underground storage of gas, for the closure and
35 abandonment of underground storage of gas, the designation of an underground gas storage
36 facility operator, the transfer of an underground gas storage permit to a successor operator, and
37 the establishment of fees and financial assurance requirements for permitting, monitoring,
38 inspecting, closing and abandoning underground gas storage facilities. The provisions of [the
39 Civil Penalty provisions of the Model Oil and Gas Conservation Act] shall apply to violations of
40 this Act and of orders, permits, rules, or regulations issued under this [Act].

41 **SECTION 31. PLAT MAP OF LOCATION OF UNDERGROUND GAS FACILITY**

42 **REQUIRED.** In addition to any other information the [commission] may require, the owner of
43 an underground gas storage facility shall file with the [commission] a plat map identifying the
44 location of the facility and a description of the geological formation or formations to be used for
45 storage.

1 **PART IX.**

2
3 **SECTION 32. ENFORCEMENT AUTHORITY; JURISDICTION.** The [commission] shall
4 have and exercise exclusive power and authority to enforce the provisions of this [Act] and its
5 orders, permits, rules, and regulations. In all matters pertaining to the making, issuing and
6 enforcement of its orders, permits, rules and regulations made under the provisions of this [Act],
7 the [commission] shall have and exercise all of the following exclusive powers and authority:

8 (1) to investigate and adjudicate complaints alleging violations of statutes, orders, permits, rules
9 and regulations;

10 (2) to administer oaths;

11 (3) to compel attendance of witnesses;

12 (4) to compel the production of books and records;

13 (5) to impose sanctions, including civil penalties against a person guilty of disorderly conduct in
14 the presence of the [commission] while in session; and

15 (6) to impose sanctions, including civil penalties for a violation of this [Act] and of an order,
16 permit, rule, regulation, or judgment made or rendered under the provisions of this [Act].

17 **SECTION 33. AGENTS OF THE COMMISSION; AUTHORITY; INGRESS AND**
18 **EGRESS.** The [commission] may empower its agents and employees to make investigations, to
19 serve process, and to otherwise act on behalf of the [commission], including the power to enter
20 upon an oil or gas lease or property without warrant to enforce the provisions of this [Act] and
21 the [commission]'s orders, permits, rules, and regulations.

22 **SECTION 34. COMMENCEMENT OF ENFORCEMENT PROCEEDINGS;**
23 **STANDING; VERIFICATION OF PLEADINGS.** A proceeding to adjudicate an alleged
24 violation of this [Act] or of a [commission] order, permit, rule, or regulation may be commenced
25 on the [commission]'s own motion, or upon the filing of a [verified] complaint with the
26 [commission] by the Attorney General, designated agents or employees of the [commission], or
27 by a person who has been directly and substantially affected by the alleged violation.

28 **SECTION 35. CONTENTS OF ENFORCEMENT COMPLAINT; SERVICE.**

29 (a) The complaint shall:

30 (1) state the name of the complainant;

31 (2) cite the statute, order, permit, rule, or regulation that allegedly has been violated;

32 (3) briefly describe the alleged violation; and

33 (4) name the respondent.

34 (b) A copy of the complaint shall be served on the respondent as provided by [the administrative
35 procedures act] [the rules of the [commission]].

36 **SECTION 36. VIOLATION OF A STATUTE, RULE OR ORDER.** A complaint alleging
37 that a person or persons have violated this [Act] or a [commission] order, permit, rule or
38 regulation shall be adjudicated by the [commission] in accordance with [the administrative
39 procedures act] of this state.

40 **SECTION 37. CIVIL PENALTIES; INCREASE IN SURETY.** In addition to other
41 sanctions or remedies ordered by the [commission] pursuant to this [Act], punishment by the
42 [commission] for a violation of this [Act], or a [commission] order, permit, rule, or regulation
43 may be by civil penalty as determined by the [commission], not exceeding [five thousand dollars
44 (\$5,000)], or by other manner of penalty as determined by the [commission]. Each day the
45 violation continues shall constitute a separate and additional violation, punishable by separate
46 and additional civil penalties in like amount or other manner of penalty as determined by the

1 [commission], including the authority to order an increase in the penalty or a change in the form
2 or amount of operator surety.

3 **SECTION 38. SHUT IN, CURTAILMENT, SHUT DOWN ORDERS; SUSPENSION OF**
4 **OPERATING AUTHORITY OR PERMITS.**

5 (a) The [commission] shall have the authority, without prior notice, to order a party or the
6 [commission]'s agent or employee to shut in a well, to curtail the production of a well, or shut
7 down an oil and gas operation; or to deny approval of or revoke a permit for an oil and gas
8 operation; or suspend the authority of a person to conduct an oil and gas operation, if the
9 [commission] finds that:

10 (1) the respondent has no operator surety in force and effect;

11 (2) there is a condition of pollution or other condition that constitutes an imminent threat of
12 serious and irreparable damage or injury to persons, property or the environment as a
13 consequence of an existing and continuing violation of the [commission]'s orders, permits,
14 rules, or regulations affecting an oil and gas operation;

15 (3) the respondent has failed or refused to pay a previously imposed fine or civil penalty for a
16 violation of this [Act] or a [commission] order, permit, rule, or regulation issued pursuant to
17 this [Act]; or

18 (4) the respondent has failed or refused to comply with an enforcement or compliance order
19 issued pursuant to this [Act].

20 (b) The party against whom an order under this subsection (a) has been issued shall have the
21 right to appear before the [commission] within [five (5)] days after the order has been issued, to
22 move that the order be dissolved or modified.

23 (c) In addition to other sanctions or remedies ordered by the [commission] pursuant to this [Act]
24 for a violation of this [Act] or a [commission] order, permit, rule, or regulation, the [commission]
25 shall have the power, after notice and opportunity for hearing, to order a party or the
26 [commission]'s agent or employee to shut in a well, curtail the production from a well, or shut
27 down or curtail an oil and gas operation, or to deny approval of or revoke a permit for an oil and
28 gas operation, or suspend the authority of a person to conduct an oil and gas operation.

29 (d) During the pendency of a proceeding and before the issuance of a final order, the
30 [commission], on its own motion or upon the motion by an interested party, may issue an interim
31 order directing a party or the [commission]'s agent or employee immediately to shut in a well, to
32 curtail the production from a well, or to shut down an oil and gas operation. The party against
33 whom the interim order has been issued shall have the right to appear before the [commission]
34 within [five (5)] days after the interim order has been issued, to move that the interim order be
35 dissolved or modified.

36 **SECTION 39. DISORDERLY CONDUCT BEFORE THE COMMISSION.** Punishment by
37 the [commission] of a person guilty of disorderly conduct in the presence of the [commission]
38 while in session, or for disobedience of its subpoena, summons or other process, may be by civil
39 penalty, not exceeding [one thousand dollars (\$1,000)].

40 **SECTION 40. FOREIGN JUDGMENT.** A civil penalty assessed under this [Act] may be
41 enforced in the same manner as a foreign judgment pursuant to [the Uniform Enforcement of
42 Foreign Judgments Act], but this procedure shall be followed regardless of whether the offender
43 is a resident or nonresident of this state. Until paid or satisfied, a civil penalty shall constitute a
44 lien upon all the non-exempt property of the offender within this state, if a copy of the order
45 imposing the civil penalty, certified by the [commission], is filed as provided by law.

1 **SECTION 41. INJUNCTIONS.** Where the [commission] shall make and issue an order, permit,
2 rule, or regulation and the same has been or is being violated by a person, the Attorney General
3 of this state, or the [commission], may in the name of this state, bring an action in the appropriate
4 district court where the violation has been or is being committed, for a prohibitory or a
5 mandatory injunction, enjoining and prohibiting the offender from further violations or
6 commanding and compelling the offender to obey the order, permit, rule, or regulation. The court
7 is hereby given jurisdiction to grant an injunction or other relief as may be proper, and shall have
8 power to grant temporary restraining orders or injunctions without bond. Neither a temporary nor
9 permanent injunction granted under the provisions of this section shall be stayed or superseded
10 on appeal, except upon order of a state appellate court, and then only upon application and
11 hearing after reasonable notice to the [commission]. Insofar as not prohibited by other law, all
12 suits brought under the provisions of this section shall be given precedence over other actions
13 pending in that court.

14 **[SECTION 42. FALSE STATEMENTS; CRIMINAL PENALTIES.** A person or persons
15 who shall knowingly or willfully file or make a false statement to the [commission] with respect
16 to a provision of this [Act] or a [commission] order, permit, rule, or regulation shall be guilty of
17 a [class B] felony [[and shall be fined not more than [five thousand dollars (\$5,000)], and shall
18 be imprisoned for a period not to exceed [five (5) years], or both].]

19 **[SECTION 43. OBSTRUCTION OF ENFORCEMENT ACTIVITIES; CRIMINAL**
20 **PENALTIES.** A person who knowingly or willfully delays or obstructs an agent of the
21 [commission], in the performance of a duty assigned to the agent in accordance with this [Act] or
22 by an order, permit, rule or regulation of the [commission]; or who knowingly and willfully
23 delays or obstructs a public officer of this state or municipal subdivision thereof in the discharge
24 or attempted discharge of a duty arising by virtue of or growing out of this [Act] or an order,
25 permit, rule, or regulation of the [commission]; or who attempts by means of a threat or violence
26 to deter or prevent an agent of the [commission] from performing a duty that arises by virtue of
27 this [Act] or of an order, permit, rule, or regulation of the [commission], shall be guilty of a
28 [class B] felony [[and conviction thereof may be punished by a fine not exceeding [five thousand
29 dollars (\$5,000)] and by imprisonment not exceeding [five (5) years], or both.]] If the violence
30 or threat of violence or if the interference, obstruction, or attempted interference or obstruction is
31 accompanied by the use or attempted use of firearms by the person so offending, then the person
32 shall be guilty of a [class A] felony [[and may be imprisoned for a period of not more than [ten
33 (10) years].].]

34 **[SECTION 44. CONSPIRACY; CRIMINAL PENALTIES.** Two or more persons who
35 conspire to violate a provision of this [Act], or an order, permit, rule, or regulation of the
36 [commission], and a person, who shall do an act to effect the object of the conspiracy, shall be
37 guilty of a [class B] felony [[and be fined not more than [five thousand dollars (\$5,000)] and
38 imprisoned for a period of not exceeding [five (5) years], or both].].]

1 **PART X.**

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3 **SECTION 45. SHORT TITLE.** This [Act] may be cited as the [Oil and Gas Conservation
4 Act].

5 **SECTION 46. SEVERABILITY CLAUSE.** If a provision of this [Act] or its application to a
6 person or circumstances is held invalid, the invalidity does not affect other provisions or
7 applications of this [Act] which can be given effect without the invalid provision or application,
8 and to this end the provisions of this [Act] are severable.

9 **SECTION 47. REPEAL OF LAWS IN CONFLICT.** All other laws or parts of laws in
10 conflict with this [Act] are repealed.