

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 772

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

Sponsors: Representatives Salmon, Reives, and Harrison (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Rules, Calendar, and Operations of the House.

April 15, 2015

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~~



* H 7 7 2 - V - 1 *

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

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

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

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

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

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