

Am. Sub. H.B. 166  
As Passed by the Senate  
DNRCD31

\_\_\_\_\_ moved to amend as follows:

In line 20 of the title, after "1505.09," insert "1509.28," 1

In line 236, after "1505.09," insert "1509.28," 2

After line 15763, insert: 3

"**Sec. 1509.28.** (A) The chief of the division of oil and gas 4  
resources management, upon the chief's own motion or upon 5  
application by the owners of sixty-five per cent of the land area 6  
overlying the pool, shall hold a hearing to consider the need for 7  
the operation as a unit of an entire pool or part thereof. In 8  
calculating the sixty-five per cent, an owner's entire interest in 9  
each tract in the proposed unit area, including any divided, 10  
undivided, partial, fee, or other interest in the tract, shall be 11  
included to the fullest extent of that interest. An application by 12  
owners shall be accompanied by a nonrefundable fee of ten thousand 13  
dollars and by such information as the chief may request. 14

The chief shall make an order providing for the unit 15  
operation of a pool or part thereof if the chief finds that such 16  
operation is reasonably necessary to increase substantially the 17  
ultimate recovery of oil and gas, and the value of the estimated 18  
additional recovery of oil or gas exceeds the estimated additional 19  
cost incident to conducting the operation. The order shall be upon 20  
terms and conditions that are just and reasonable and shall 21  
prescribe a plan for unit operations that shall include: 22

- (1) A description of the unitized area, termed the unit area; 23
- (2) A statement of the nature of the operations contemplated; 24
- (3) An allocation to the separately owned tracts in the unit area of all the oil and gas that is produced from the unit area and is saved, being the production that is not used in the conduct of operations on the unit area or not unavoidably lost. The allocation shall be in accord with the agreement, if any, of the interested parties. If there is no such agreement, the chief shall determine the value, from the evidence introduced at the hearing, of each separately owned tract in the unit area, exclusive of physical equipment, for development of oil and gas by unit operations, and the production allocated to each tract shall be the proportion that the value of each tract so determined bears to the value of all tracts in the unit area. 25  
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- (4) A provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials, and equipment contributed to the unit operations; 37  
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- (5) A provision providing how the expenses of unit operations, including capital investment, shall be determined and charged to the separately owned tracts and how the expenses shall be paid; 41  
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- (6) A provision, if necessary, for carrying or otherwise financing any person who is unable to meet the person's financial obligations in connection with the unit, allowing a reasonable interest charge for such service; 45  
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- (7) A provision for the supervision and conduct of the unit operations, in respect to which each person shall have a vote with a value corresponding to the percentage of the expenses of unit 49  
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operations chargeable against the interest of that person; 52

(8) The time when the unit operations shall commence, and the 53  
manner in which, and the circumstances under which, the unit 54  
operations shall terminate; 55

(9) Such additional provisions as are found to be appropriate 56  
for carrying on the unit operations, and for the protection or 57  
adjustment of correlative rights. 58

(B) No order of the chief providing for unit operations shall 59  
become effective unless and until the plan for unit operations 60  
prescribed by the chief has been approved in writing by those 61  
owners who, under the chief's order, will be required to pay at 62  
least sixty-five per cent of the costs of the unit operation, and 63  
also by the royalty or, with respect to unleased acreage, fee 64  
owners of sixty-five per cent of the acreage to be included in the 65  
unit. If the plan for unit operations has not been so approved by 66  
owners and royalty owners at the time the order providing for unit 67  
operations is made, the chief shall upon application and notice 68  
hold such supplemental hearings as may be required to determine if 69  
and when the plan for unit operations has been so approved. If the 70  
owners and royalty owners, or either, owning the required 71  
percentage of interest in the unit area do not approve the plan 72  
for unit operations within a period of six months from the date on 73  
which the order providing for unit operations is made, the order 74  
shall cease to be of force and shall be revoked by the chief. 75

An order providing for unit operations may be amended by an 76  
order made by the chief, in the same manner and subject to the 77  
same conditions as an original order providing for unit 78  
operations, provided that: 79

(1) If such an amendment affects only the rights and 80  
interests of the owners, the approval of the amendment by the 81

royalty owners shall not be required. 82

(2) No such order of amendment shall change the percentage 83  
for allocation of oil and gas as established for any separately 84  
owned tract by the original order, except with the consent of all 85  
persons owning interest in the tract. 86

The chief, by an order, may provide for the unit operation of 87  
a pool or a part thereof that embraces a unit area established by 88  
a previous order of the chief. Such an order, in providing for the 89  
allocation of unit production, shall first treat the unit area 90  
previously established as a single tract, and the portion of the 91  
unit production so allocated thereto shall then be allocated among 92  
the separately owned tracts included in the previously established 93  
unit area in the same proportions as those specified in the 94  
previous order. 95

Oil and gas allocated to a separately owned tract shall be 96  
deemed, for all purposes, to have been actually produced from the 97  
tract, and all operations, including, but not limited to, the 98  
commencement, drilling, operation of, or production from a well 99  
upon any portion of the unit area shall be deemed for all purposes 100  
the conduct of such operations and production from any lease or 101  
contract for lands any portion of which is included in the unit 102  
area. The operations conducted pursuant to the order of the chief 103  
shall constitute a fulfillment of all the express or implied 104  
obligations of each lease or contract covering lands in the unit 105  
area to the extent that compliance with such obligations cannot be 106  
had because of the order of the chief. 107

Oil and gas allocated to any tract, and the proceeds from the 108  
sale thereof, shall be the property and income of the several 109  
persons to whom, or to whose credit, the same are allocated or 110  
payable under the order providing for unit operations. 111

No order of the chief or other contract relating to the sale 112  
 or purchase of production from a separately owned tract shall be 113  
 terminated by the order providing for unit operations, but shall 114  
 remain in force and apply to oil and gas allocated to the tract 115  
 until terminated in accordance with the provisions thereof. 116

Notwithstanding divisions (A) to (H) of section 1509.73 of 117  
 the Revised Code and rules adopted under it, the chief shall issue 118  
 an order for the unit operation of a pool or a part of a pool that 119  
 encompasses a unit area for which all or a portion of the mineral 120  
 rights are owned by the department of transportation. 121

Except to the extent that the parties affected so agree, no 122  
 order providing for unit operations shall be construed to result 123  
 in a transfer of all or any part of the title of any person to the 124  
 oil and gas rights in any tract in the unit area. All property, 125  
 whether real or personal, that may be acquired for the account of 126  
 the owners within the unit area shall be the property of such 127  
 owners in the proportion that the expenses of unit operations are 128  
 charged." 129

In line 82827, after "1505.09," insert "1509.28," 130

The motion was \_\_\_\_\_ agreed to.

SYNOPSIS

**Unit operation calculation** 131

**R.C. 1509.28** 132

Retains current law that authorizes the owners of 65% of the 133  
 land area overlying a pool (underground reservoir of oil, gas, or 134  
 both) to apply to the Chief of the Division of Oil and Gas 135

Resources Management to consider the need for the operation of the entire pool or part of a pool as a unit. 136  
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Restores a provision added by the House that specifies that 138  
when calculating the 65%, a land owner's entire interest, 139  
including any divided, undivided, partial, fee, or other interest, 140  
in each tract must be included to its fullest extent of that 141  
interest. 142