Lone Tree Petroleum IDL Rule Comments to IDL/OGCC as of 6-7-16

20.07.02 Rules Governing Conservation of Oil and Natural Gas in the State of Idaho

Lone Tree Petroleum is pleased to participate in Oil and Gas Conservation Commission / Idaho Department of Lands negotiated rulemaking to update 20.07.02 Rules Governing Conservation of Oil and Natural Gas in the State of Idaho. We offer these initial comments in writing and will continue to participate in scheduled rulemaking sessions. We are happy to discuss and defend our suggestions, and answer any and all questions that arise from the department staff, industry participants, landowners and members of the public who are involved in the process.

In addition, Lone Tree Petroleum specifically requests that the size of a default unit for a gas well be reduced from 640 acres to 160 acres, that the default spacing reflect the size and shape of the pool, geographically described, but movable to cover the pool, while maintaining spacing unit size at 160 acres for gas wells. Lone Tree is prepared to produce scientific evidence to support 160-acre spacing is not only justified, but is a more appropriate and geological defensible unit size to prevent waste and protect correlative rights of mineral rights owners.

Our recommendations include resources and documentation from other states, and from widely accepted industry standards and guidelines as part of the record we submit. We believe that Idaho mineral rights owners and the citizens of the state of Idaho are best served with rules which are in alignment with nationally-recognized industry standards and practices. Furthermore, we believe the interests or the state of Idaho are best served with competition and transparency as fundamental to development of the industry, protection of correlative rights and prevention of waste, as required by Idaho code 47-315 "Oil and Gas Wells – Geologic Information, and prevention of waste - Public Interest.

OIL AND GAS WELLS GEOLOGIC
INFORMATION, AND PREVENTION OF WASTE
47315.
PUBLIC INTEREST. It is declared to be in the public interest to foster, encourage and promote the development, production and utilization of natural resources of oil and gas in the state of Idaho in such a manner as will prevent waste; to provide for uniformity and consistency in the regulation of the production of oil and gas throughout the state of Idaho; to authorize and to provide for the operations and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas maybe obtained and that the correlative rights of all owners be fully protected; to encourage, authorize and provide for voluntary agreements for cycling, recycling, pressure maintenance and secondary recovery operations in order that the greatest possible economic recovery of oil and gas may be obtained within the state to the end that the land owners, the royalty owners, the producers and the general public may realize and enjoy the greatest possible good from these vital natural resources.

As of June 7, 2016, we offer the following comments to the May 28, 2016 Draft and we reserve the right to continue to provide input and documentation as these rules are developed.

001. TITLE AND SCOPE

006. Public Records Act Compliance – We agree with the additional language strengthening disclosure of information (5-28-16 version). In general, all public records of a state agency are subject to disclosure unless otherwise exempt by law. If a claim is made to exempt "trade secret" information, only that information which qualifies as "trade secret" may be exempted from disclosure. Marking non-trade secret information "trade secret" does not legally allow the State to exempt it from disclosure.

010. DEFINITIONS

25. ***Gas to Oil Ratio- (GOR)*** is the ratio of volumetric flow of produced gas to the volumetric flow of crude oil for crude oil and gas mixture sample.

Source Engineering Encyclopedia

Gas/Oil Ratio (GOR) is the ratio of the volume of gas that comes out of solution, to the volume of oil at standard conditions.

27 ***Gas Well*** – The definition should be consistent with industry standards and in alignment with other producing states and federal agencies. (See EPA classifications cited later in these comments).

Current Section c. should be deleted and replaced as follows:

Current: ~~Any well classed as a gas well by the Commission for any reason.~~

c. *Insert:* ***"Gas well****" means a well producing gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool (New Mexico)*

(Oil / gas ratio > 100,000 is consistent with other jurisdictions, including Alaska, Texas, Oklahoma, Pennsylvanian, New Mexico and the EPA)

48. ***Spacing Unit*** – This definition should be consistent with industry standards. In as much as spacing units are tied to well classification and protection of correlative rights, spacing units must reflect the size and shape of the pool in order to prevent waste and protect mineral interest owners. Industry standard definitions and their sources are as

follows and should be used in Idaho rules to protect mineral interest owners and to prevent waste, as required by Idaho code 47-321 (3)

"Spacing unit" means the area allocated to a well for the purpose of drilling for or producing petroleum; Source IADC Glossary

"Spacing Unit" -An area allotted to a well by regulations or field rules issued by a governmental authority having jurisdiction for the drilling and production of a well. Schlumberger Glossary

47-321(3) Except where circumstances, geologic or otherwise, affecting the orderly development of a pool reasonably require, spacing units shall be of approximately uniform size and shape for the entire pool. The ~~commission~~ department may establish spacing units of different sizes or shapes for different parts of a pool or may grant exceptions to the size or shape of any spacing unit or units or may change the sizes or shape of one (1) or more existing spacing units.

120. WELL SPACING

Title 47, Chapter 3, Section 47-321: Sub Section 2:

(2) An order establishing spacing units shall specify the size and shape of the units, which shall be such as will, in the opinion of the commission, result in the efficient and economical development of the pool as a whole. Any unit established by the commission shall be geographic. The geographic boundaries of the unit shall be described in accordance with the public land survey system.

01. Wells Drilled for Oil; Standard Spacing Unit and Well Location – This language should be changed to reflect the authorizing statute (47-321) and to clarify that spacing units be geographic in description, and that description be in terms of the public land survey system. Spacing needs to be determined by the subsurface point where the borehole intersects the reservoir. Existing setbacks should be retained. By law, the spacing unit itself is required to define the size and shape of the pool, while maintaining approximately uniform size and shape. The shape of the pool is not restricted to the lines of the PLS. Rather the PLS is used only to legally describe the pool. The reservoir characteristics and geology determine the size and shape of the pool, and the pool is used to determine the size and shape of the unit. The PLS is

used to legally describe the boundaries of a unit, not to restrict it to the confines of section lines. In order to protect correlative rights and avoid waste, the pool must be described accurately by the geology and the data available. The dimensions and extent of the pool exist without regard for the lines of the PLS. A well is sited in a certain area because Geologic Science and information tells those siting the well that this is the best location to drill the well.

02. Wells Drilled for Gas; Standard Spacing Unit and Well Location – This language should be changed to reflect the authorizing statute and to clarify that spacing units be geographic in description, and that description be in terms of the public land survey system. Spacing needs to be determined by the subsurface point where the bore hole intersects the reservoir. Existing setbacks should be retained. By law, the spacing unit itself is required to define the size and shape of the pool, while maintaining approximately uniform size and shape. The shape of the pool is not restricted to the lines of the PLS. Rather the PLS is used only to describe the pool. The reservoir characteristics and geology determine the size and shape of the pool, and the pool is used to determine the size and shape of the unit. The PLS is used to describe a unit, not to determine size or restrict it to the confines of section lines. In order to protect correlative rights and avoid waste, the size of a pool must be determined accurately by the geology and the data available. The dimensions and extent of the pool exist without regard for the lines of the PLS.

206. SUNDRY NOTICES

Sundry notice is your written request to perform work not covered by another type of permit, or to change operations in your previously approved permit. (43 CFR 3200.1 - Definitions.)

403. GAS-OIL RATIO FOR WELL CLASSIFICATIONS

Well classification should be based on industry standards. The current language in 403 should be replaced with the following standard which is consistent with other states and federal standards:

*"**Gas well**" means a well producing gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool. (New Mexico)*

(Oil / gas ratio > 100,000 is consistent with Alaska, Texas, Oklahoma, Pennsylvanian, New Mexico and the EPA)

Information Collection Request for Oil and Gas Facilities (EPA ICR No. 2548.01, OMB Control No. 2060-NEW) the EPA has divided well types into five categories as such:

1. *Heavy Oil (GOR ≤ 300 scf/bbl)*
2. *Light Oil (GOR 300 < GOR ≤ 100,000 scf/bbl)*
3. *Wet Gas (100,000 < GOR ≤1,000,000 scf/bbl)*
4. *Dry Gas (GOR > 1,000,000 scf/bbl)*
5. *Coal Bed Methane.*

(Source Wikipedia)

In addition to the rule changes summarized above, Lone Tree Petroleum makes the following request to the Idaho Department of Lands and to the Idaho Oil and Gas Commission:

1. *Lone Tree respectfully requests that the size of the default unit for a gas well be changed from 640 acres to 160 acres as it previously was in the State of Idaho.*

2. *That the default spacing be allowed to be movable utilizing the PLS system as basis for description of the unit only, and not as limitation to boundaries of PLS.*

3. *That the shape of said default unit spacing be interchangeable to reflect any shape or form necessary across any PLS line while holding the default spacing acres of 160 acres.*

Lone Tree is prepared to produce geologic and seismic data to support these requests, based on the following:

- *The information is available for proper decision making in unit placement.*

- *Provide written essay and document from a highly experienced team of Geoscientists explaining that a 640 default spacing is damaging to the industry as a whole as well as all mineral owners involved.*

- *Scientific evidence to support 160 acre spacing is not only justified, but a more appropriate and geological defensible unit size to prevent waste and protect correlative rights.*

C.J. McDonald

CEO Lone Tree Petroleum, Inc.

cjmcdonald@ltpetroleum.ch

Lone Tree Petroleum, Inc. Rules Supporting Comments & References 6/8/16

Definitions #25 Page 4

Comment: *The definition of Gas Oil Ratio #25 in the definitions section effects the definition of a Gas Well in a manner that severely restricts classifications of wells as well as their spacing's as they would apply to the rules here in Idaho. The industry standard definition is below in Blue. Further the EPA has set classifications to wells and the 5 types are listed below as per the EPA definitions*.

2225. **Gas-Oil Ratio**. The ratio of the volume of gas produced in standard cubic feet to each barrel of oil or condensate produced concurrently during any stated period.

Subchapter C Powers and Duties of the Commission State of Texas

Sec. 86.043. DETERMINING GAS-OIL RATIO. The commission may fix and determine the gas-oil ratio of all oil wells in the state but none of the provisions of this chapter may be construed to authorize the limitation of the production of marginal wells below the amount fixed by statute. If a restriction imposed by the commission on the production of oil from an oil well operates to increase the gas-oil ratio of the well so as to then classify it as a gas well under the provisions of this chapter, the well nevertheless shall be considered to be an oil well.

Definitions #27 "Gas Well"

Comment: *The definition of a "Gas Well" used here in the Idaho rules is very far from an industry standard definition. One would have to seriously question where this definition came from at all. This definition should strictly adhere to an industry standard and at minimum an average GOR for definition. This definition coupled with the current definition of GOR work in harmony to totally misclassify the status of a well thereby restricting the classification that best utilizes the resource and prevents waste. Industry standard definitions are listed below. The idea in the comment section of this rule that states that the definition should use the definition of Section 403 instead of the one here cannot stand. It is absolutely wrong. And no*

classification should be mandatory in the absence of an order by the commission. This effectively and unjustly classifies or can classify many wells improperly thereby preventing landowners, the state, the Federal Government or any other entity from receiving its just and fair portions of the resource.

2427. Gas Well. (10-21-92)

a. A well, which produces primarily natural gas; (3-29-12)
b. Any well capable of producing gas in commercial quantities and also producing oil from the same common source of supply but not in commercial quantities; or (10-21-92)

c. Any well classed as a gas well by the Commission for any reason.

- **"Gas well"** means a well that produces predominantly gas at a gas-oil ratio over 100,000 scf/bbl of oil, unless on a pool-by-pool basis the commission establishes another ratio.

Source: Alaska Oil and Gas Conservation Commission, Definitions, Alaska Admin. Code tit. 20, § 25.990, December 7, 2012. Regulations

Source IADC Glossary

- *"**Gas well**" means a well producing gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing*

In the states of Texas and Pennsylvania, the statutory definition of a gas well is one where the :

1. *GOR is greater than 100,000 ft3/bbl or 100 Kcf/bbl.*
2. *The state of New Mexico also designates a gas well as having over 100 MCFG per barrel (http://www.nmcpr.state.nm.us/nmac/parts/title19/19.015.0002.htm)*

The Oklahoma Geologic Survey recently published Map of Oklahoma Oil and Gas Fields distinguished by Oil and Gas Ratio this map that defines a gas well as having greater than 20 MCFG per barrel of oil. In the newly proposed Information Collection Request for Oil and Gas Facilities (EPA ICR No. 2548.01, OMB Control No. 2060-NEW)the EPA has divided well types into five categories as such:

1. *Heavy Oil (GOR ≤ 300 scf/bbl)*
2. *Light Oil (GOR 300 < GOR ≤ 100,000 scf/bbl)*
3. *Wet Gas (100,000 < GOR ≤1,000,000 scf/bbl)*

4. *Dry Gas (GOR > 1,000,000 scf/bbl)*
5. *Coal Bed Methane.*

Definitions #48 "Spacing Unit"

Comment: ***This is another definition that is just simply not an industry standard. This definition in combination with the two previous definitions to work in sync and effectively improperly and unjustly classify wells. This definition also must be corrected so as to protect the correlative rights of all rightful entities owning mineral interest and prevent waste of the resource. Industry standard definitions are provided below.***

1. *"Spacing unit" means the area allocated to a well for the purpose of drilling for or producing petroleum; Source IADC Glossary*
2. *"Spacing Unit" -An area allotted to a well by regulations or field rules issued by a governmental authority having jurisdiction for the drilling and production of a well.*

Schlumberger Glossary

Section 120 Well Spacing #01.

This rule is clearly inconsistent with the Statute *Title 47, Chapter 3, Section 47-321: Sub Section 2* ***And nothing less than this rule being changed completely and simply reflect the statute and exactly what is written.***

The rule "Section 120 Well Spacing #02" shown above should simply be rewritten just as the statute is written.

It needs no embellishment, in fact, the new language simple confuses the clear statutory language and will likely cause confusion, and legal dispute, leading to litigation.

This rule in its current form or in its suggested edits, will be the cause of years of litigation between landowners, oil companies, the state , the federal government, and everyone else who had a hand on passing this rule the way it is.

The proposed changes in this rule need to do much more than the changes noted here. The spacing in particular of a Gas Well, as defined in these rules in conjunction with the definitions that support the spacing issue are simply not the normal way things are done in the industry. In fact they are written specifically to the benefit of some and to the detriment of others – specifically every landowner and oil company who may consider coming to this state.

As written, this rule as causes very serious damage to our future development plans and to the rights of the landowners we deal with. It is anticompetitive to industry and detrimental to landowners.

The data that is available clearly demonstrates that 640 acre spacings are detrimental to the state, to landowners and to developing the resource, all of which is contrary to what state law clearly requires. We have and can show irrefutable proof, based on sound science that 640 spacing, and the policy rules that were put in place to support it on paper, are contrary to prevention of waste and protection of correlative rights. As written, 640 spacing damages the interests of the entire state, including every landowner, every government agency that should benefit from the development of oil and gas in this state.

This rule needs to be seriously addressed, as Lone Tree we take very firm opposition to this rule in its current state, and in the proposed amendments.

Title 47, Chapter 3, Section 47-321: Sub Section 2 Which is highlighted below **.**

"Any unit established by the commission shall be geographic. The geographic boundaries of the unit shall be describe in accordance with the public land survey system."

The statute is very clear and plainly states how the unit boundaries are to be set and identified or described.

- *This statute in no way confines a pool to within any section lines major or minor*
- *It in no way states that the full number sections and their respective full section boundaries are to confine the unit.*
- *It in know way puts a statute or certain line in particular on the size or location of said unit*
- *It in no way prevents or cites that one cannot move the designated unit to the most efficient area optimizing its placement in an area where there is substantial reason to believe due to geologic information and research that said area will* ***"result in the efficient and economical development of the pool as a whole"****(T47,CH3,S#47-321 SS 2)*

The Rule as written

120. WELL SPACING.

In the absence of an order by the Commission setting spacing units for a pool, or a unit operation as described in Section 140135, the following rules shall apply: (4-11-15)( )

01. Wells Drilled for Oil; Standard Spacing Unit and Well Location. Every well drilled for oil must be located ~~in the center of~~

on a spacing unit consisting of a forty (40) acre governmental quarter quarter section, lot or tract, or combination of lots or tracts substantially equivalent thereto as shown by the most recent governmental survey, ~~with a tolerance of two hundred (200) feet in any direction from the center location;~~. An oil well must have a minimum setback of four hundred sixty (460) feet from the Section's quarter quarter lines. ~~provided that no~~ No oil well shall be drilled less than nine hundred twenty (920) feet from any other well drilling to or capable of producing oil from the same pool, or no oil well shall be completed in a known pool unless it is located more than nine hundred twenty (920) feet from any other well completed in and capable of producing oil from the same pool.
(10-21-92)( )
02. Wells Drilled for Gas; Standard Spacing Unit and Well Location. Every well drilled for gas must be located on a ~~drilling~~spacing unit consisting of approximately six hundred forty (640) contiguous surface acres, which shall be one governmental section or lot(s) equivalent thereto, upon which there is not located, and of which no part is attributed to, any other well completed in or drilling to the same pool. In areas not covered by United States Public Land Surveys, such ~~drilling~~spacing unit shall consist of an area which is: 1) bounded by four (4) sides intersecting at angles of not less than eighty five (85) degrees or more than ninety five (95) degrees; 2) the distance between two (2) points farthest apart thereon shall not exceed eight thousand five hundred (8,500) feet; and 3) shall contain at least six hundred (600) contiguous surface acres. In areas covered by United States Public Land Surveys, such ~~drilling~~spacing unit shall consist of one governmental section containing not less than six hundred (600) surface acres. A gas well must have a minimum setback of ~~three hundred thirty~~one thousand three hundred twenty (~~330~~1,320) feet from the governmental section line. Gas wells shall be located at least two thousand six hundred forty (2,640) feet from any other gas well completed in and capable of producing gas from the same pool. ~~(4-11-15)~~( )

Furthermore….

- ***Exception locations and hearings for such locations are not a guarantee that the "best use of the resource" and the "correlative rights" will be protected and in fact some evidence points to the contrary, given past decisions and placement of wells.***

- ***The "UNIT" boundaries should be designated as per required spacing at the subsurface location of the target, at the intersecting depth and point of the borehole and the formation is located.***

- ***This Unit should be extrapolated to surface and legally described using the Public Land Survey System***

The statute is that simple and that clear.

(2) An order establishing spacing units shall specify the size and shape of the units, which shall be such as will, in the opinion of the commission, result in the efficient and economical development of the pool as a whole. Any unit established by the commission shall be geographic. The geographic boundaries of the unit shall be described in accordance with the public land survey system.

The same should apply to both 01 and 02.

As far as the location of the unit boundaries….

- *The commission should DILIGENTLY ENSURE, and the rules should reflect such, that the Unit be optimally placed in the best Geographic location that provides the most economic, efficient and resourceful use of the resource:*

"the best known and reasonable Geographical Point of the intersection of the Wellbore and the Formation."

- *It is not common place anywhere in the country by statute that a major section line , being the defining line between two identified and numbered sections is to be the unit boundary of a pool.*

- *These lines are used as reference only, not as limiting boundaries.*

- *The only honest and fair way to protect the "Correlative Rights "of the citizens, as well as the state is to place, (Especially initial Unit Boundaries)*

  - *Using the best knowledge possible, centered in relation to the point the expected target is to be intersected. This being the established initial unit*

  - *REGARDLESS of where any major or minor section line is in relation to this unit.*

  - *And the required spacing utilizing and legally described by the PLS lines that it actually correlates to, whether it be a quarter / quarter section line, half section line or Major section line.*

  - *The statute simply states that it be place Geographically and described by the corresponding PLS borders.*

The idea, assertion, or rule that does not allow a Unit boundary to utilize any boundary line within any section to define a Unit border will potentially render millions of acres useless for the benefit of recovering the citizen's and the state's natural resources.

Request to the Idaho Department of Lands and the Idaho Oil and Gas Commission is formally being made by Lone Tree Petroleum, Inc. to bring this rule back to the floor for discussion in to allow the opportunity to all parties concerned to prevent further possible damages to the citizens of The State of Idaho, the citizens of Idaho, The Federal Government, the landowners, schools, Counties, and any other entity in the state that will most certainly not reap the benefits the resource can provide.

Our requests are as stated herein…

1. *Lone Tree respectfully requests that the size of the default unit for a gas well be changed from 640 acres to 160 acres, as previously was the case in the State of Idaho.*

2. *Request is also made that the default spacing be allowed to be movable utilizing the PLS system.*

3. *Request is also made that the shape of said default unit spacing be interchangeable to reflect any shape or form necessary across any PLS line while holding the default spacing acres of 160 acres.*

In consideration for bringing this subject back up for serious discussion, Lone Tree is prepared to show proof that …

- *The information is available for proper decision making in unit placement.*
- *Provide written essay and document from a highly experienced team of Geophysicists demonstrating that a 640 default spacing is damaging to the industry as a whole as well as all mineral owners involved.*
- *Evidence that 160 acre spacing is not only justified, but arguably the best performing unit size in benefit to all involved.*

The possible consequences of this rule are not favorable to any other oil and gas companies that may consider Idaho, the landowners, the state, the Federal Government, or anyone else.

This 640 acre default spacing has the potential for the following…

- *The initial spacing to be grossly oversized when not enough data of the reservoir is at hand*
- *This spacing size effectively kills much acreage especially where BLM parcels are frequent and chopped up.*
- *This spacing absolutely forces most leases in to exception location status and will be very time and revenue expensive for both the state and the companies*
- *This spacing most certainly will have the effect of many citizen's land simply being passed up because of the undue hardship created for the oil companies.*
- *As a result, some landowners being originally placed in the unit and later removed.*
- *Other landowners who may be entitled to a larger portion of revenue being shorted on their correlative rights.*
- *As a result of both the points' prior, both the state, the land owners, and any oil company risk very high exposure to possible years of litigation.*
- *Awards and penalties from such litigation could be monumentally devastating to everyone involved.*

The Statute and the rules allow for an adjustment anytime it is needed as new data and information becomes available. After several years, many wells drilled, and extensive seismic data, we know smaller spacing is justified. 160 acre spacing would involve fewer land owners, thereby minimizing the chance that anyone would be removed from a unit and it's royalty benefits. Anyone being added would be ecstatic. Far different results than removing 1 or 2 parties only to turn around and give it to their neighbors. Supposed these people have committed financially to large notes or mortgages because of there sudden new income. Then have it taken away a year later because someone came up with some new data. Without a doubt litigation will follow.

In addition, the concept that 1 well will drain 640 acres in this area is very unlikely, in our professional opinion. Others from the industry wanted to make the argument at rulemaking that they did not have enough data to reduce this spacing size. They certainly have enough data to decide where they want to drill a well in the first place. It defies logic for an operator to know precisely where to drill an exceptional location, but then claims it doesn't have the data to do so after the fact. Not only does this effect their landowners and neighbors in a negative way but it also affects any other operator in the state. The net result is an operator that is allowed to simply tie up acreage without having to pay for it, and to the detriment of other operators and landowners.

One could effectively go around the state leasing up 160 acre parcels within every section, and the turn around and hold any oil company or other interest hostage over mineral rights they never paid for.

Many oil companies would simply just not come to Idaho. Some that are here now would have to consider pulling up stakes to go to a state where their resources are not drained by this spacing and their bottom line is not adversely impacted by this competitive disadvantage.

Printer Friendly Version

Idaho Statutes

TITLE 47
MINES AND MINING
CHAPTER 3
OIL AND GAS WELLS -- GEOLOGIC INFORMATION, AND PREVENTION OF WASTE

47-321. SPACING UNITS. (1) The commission shall promptly establish spacing units for each pool except in those pools that have been developed to such an extent that it would be impracticable or unreasonable to establish spacing units at the existing stage of development.

(2) An order establishing spacing units shall specify the size and shape of the units, which shall be such as will, in the opinion of the commission, result in the efficient and economical development of the pool as a whole. **Any unit established by the commission shall be geographic. The geographic boundaries of the unit shall be described in accordance with the public land survey system.** Except where circumstances, geologic or otherwise, affecting the orderly development of a pool reasonably require, or as provided in paragraph (b) of this subsection, **the size of the spacing units shall not be smaller than the maximum area that can be efficiently and economically drained by one (1) well; provided:**

(a) If, at the time of a hearing to establish spacing units there is not sufficient evidence from which to determine the area that can be efficiently and economically drained by one (1) well, the commission may make an order establishing temporary spacing units for the orderly development of the pool pending the obtaining of the information required to determine what the ultimate spacing should be.

(b) Where the federal agency administering federal minerals that would otherwise be included in a spacing unit has not leased or has failed to offer such federal minerals for lease in accordance with 30 U.S.C. section 226 and 43 CFR 3120.1-2(a), such federal minerals may be excluded from the unit upon application or upon the commission's own motion.

(3) Except where circumstances, geologic or otherwise, affecting the orderly development of a pool reasonably require, spacing units shall be of approximately uniform size and shape for the entire pool. The commission may establish spacing units of different sizes or shapes for different parts of a pool or may grant exceptions to the size or shape of any spacing unit or units or may change the sizes or shape of one (1) or more existing spacing units.

(4) An order establishing spacing units shall direct that no more than one (1) well shall be drilled to and produced from the common source of supply on any unit, and shall specify the location for the drilling of a well thereon, in accordance with a reasonably uniform spacing pattern, with necessary exceptions for wells

drilled or drilling at the time of the filing of the application. If the commission finds that a well drilled at the prescribed location would not be likely to produce in paying quantities, or that surface conditions would substantially add to the burden or hazard of drilling such well, or for other good cause shown, the commission is authorized to make an order permitting the well to be drilled at a location other than that prescribed by such spacing order. Application for an exception shall be filed with the commission and may be granted where it is shown that good cause for such exception exists and that consent to such exception has been given by the operators of all drilling units directly or diagonally offsetting the drilling unit for which an exception is requested, and, as to the lands upon which drilling units have not been established, by the majority of mineral interest owners of those lands which would be included in directly or diagonally offsetting drilling units under said order, if said order were extended to include such additional lands.

(5) An order establishing spacing units for a pool shall cover all lands determined or believed to be underlaid by such pool, and may be modified by the commission from time to time to include additional lands determined to be underlaid by such pool or to exclude lands determined not to be underlaid by such pool.

(6) An order establishing spacing units may be modified by the commission to change the size or shape of one (1) or more spacing units, or to permit the drilling of additional wells on a reasonably uniform pattern.

(7) Upon the filing of an application to establish spacing units, no additional well shall be commenced for production from the pool until the order establishing spacing units has been made, unless the commencement of the well is authorized by order of the commission.

History:

[47-321, added 1963, ch. 148, sec. 7, p. 433; am. 1974, ch. 17, sec. 32, p. 308; am. 2013, ch. 189, sec. 3, p. 470; am. 2015, ch. 94, sec. 1, p. 229.]

C.J. McDonald

CEO Lone Tree Petroleum, Inc.

cjmcdonald@ltpetroleum.ch