

HOUSE BILL NO. HB0014

Drilling units-risk penalties and mandatory royalties.

Sponsored by: Joint Minerals, Business & Economic  
Development Interim Committee

A BILL

for

1 AN ACT relating to oil and gas; amending the calculation of  
2 owners' shares for drilling units as specified; providing  
3 for the expiration of pooling orders under specified  
4 conditions; providing a royalty during payment of risk  
5 penalty; making conforming amendments; and providing for an  
6 effective date.

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8 *Be It Enacted by the Legislature of the State of Wyoming:*

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10 **Section 1.** W.S. 30-5-109(f), (g)(intro), (ii) and by  
11 creating new subsections (h) and (j) is amended to read:

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13 **30-5-109. Rules and regulations governing drilling**  
14 **units.**

15

1           (f) When two (2) or more separately owned tracts are  
2 embraced within a drilling unit, or when there are  
3 separately owned interests in all or a part of the drilling  
4 unit, then persons owning such interests may pool their  
5 interests for the development and operation of the drilling  
6 unit. In the absence of voluntary pooling, the commission,  
7 upon the application of any interested person, may enter an  
8 order pooling all interests in the drilling unit for the  
9 development and operation thereof. Each such pooling order  
10 shall be made after notice and hearing and shall be upon  
11 terms and conditions that are just and reasonable.  
12 Operations incident to the drilling of a well upon any  
13 portion of a unit covered by a pooling order shall be  
14 deemed for all purposes to be the conduct of such  
15 operations upon each separately owned tract in the unit by  
16 the several owners thereof. That portion of the production  
17 allocated or applicable to each tract included in a unit  
18 covered by a pooling order shall, when produced, be deemed  
19 for all purposes to have been produced from such tract by a  
20 well drilled thereon. A pooling order issued under this  
21 subsection shall expire twelve (12) months after issuance  
22 if the person authorized to drill and operate a well fails

1 to commence operations within twelve (12) months of  
2 issuance of the pooling order.

3  
4 (g) Each pooling order shall provide for the drilling  
5 and operation of a well on the drilling unit, and for the  
6 payment of the cost thereof, as provided in this  
7 subsection. The commission is specifically authorized to  
8 provide that the owner or owners drilling or paying for the  
9 drilling or for the operation of a well for the benefit of  
10 all owners shall be entitled to all production from the  
11 well which would be received by the owner or owners, for  
12 whose benefit the well was drilled or operated, after  
13 payment of royalty as provided in the lease, if any,  
14 applicable to each tract or interest or after payment of  
15 the royalty if required under subsection (h) of this  
16 section, and obligations payable out of production, until  
17 the owner or owners drilling or operating the well or both  
18 have been paid the amount due under the terms of the  
19 pooling order or order settling the dispute. In the event  
20 of any disputed cost, the commission shall determine the  
21 proper cost. The order shall determine the interest of each  
22 owner in the unit, and may provide that each owner who  
23 agrees with the person or persons drilling and operating

1 the well for the payment by the owner of his share of the  
2 costs, unless he has agreed otherwise, shall be entitled to  
3 receive, subject to royalty or similar obligations, the  
4 share of the production of the well applicable to the tract  
5 of the nonconsenting owner. Each owner who does not agree,  
6 shall be entitled to receive from the person or persons  
7 drilling and operating the well on the unit his share of  
8 the production applicable to his interest after the person  
9 or persons drilling and operating the well have recovered  
10 the following, subject to the provisions of subsection (h)  
11 of this section:

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13 (ii) Up to:

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15 (A) Three hundred percent (300%) of that  
16 portion of the costs and expenses of drilling, reworking,  
17 deepening or plugging back, testing and completing, after  
18 deducting any cash contributions received and up to two  
19 hundred percent (200%) of that portion of the cost of newly  
20 acquired equipment in the well, to and including the  
21 wellhead connections, which would have been chargeable to  
22 the nonconsenting owner if he had participated therein, if

1 the nonconsenting owner's tract or interest is subject to a  
2 lease or other contract for oil and gas development;

3  
4 (B) For the first well the person drills  
5 and operates in a drilling unit and under a pooling order,  
6 two hundred percent (200%) of that portion of the costs and  
7 expenses of drilling, reworking, deepening or plugging  
8 back, testing and completing, after deducting any cash  
9 contributions received and up to one hundred twenty-five  
10 percent (125%) of that portion of the cost of newly  
11 acquired equipment in the well, to and including the  
12 wellhead connections, which would have been chargeable to  
13 the nonconsenting owner if he had participated therein, if  
14 the nonconsenting owner's tract or interest is not subject  
15 to a lease or other contract for oil and gas development;

16  
17 (C) For each subsequent well the person  
18 drills and operates in a drilling unit and under a pooling  
19 order, one hundred fifty percent (150%) of that portion of  
20 the costs and expenses of drilling, reworking, deepening or  
21 plugging back, testing and completing, after deducting any  
22 cash contributions received and up to one hundred  
23 twenty-five percent (125%) of that portion of the cost of

1 newly acquired equipment in the well, to and including the  
2 wellhead connections, which would have been chargeable to  
3 the nonconsenting owner if he had participated therein, if  
4 the nonconsenting owner's tract or interest is not subject  
5 to a lease or other contract for oil and gas development.

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7 (h) During the time the person or persons drilling  
8 and operating a well are recovering costs from a  
9 nonconsenting owner as authorized in a pooling order issued  
10 pursuant to subsection (g) of this section, a nonconsenting  
11 owner of a tract or interest in a drilling unit that is not  
12 subject to a lease or other contract for oil and gas  
13 development shall be entitled to a cost-free royalty  
14 interest equal to the greater of:

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16 (i) Sixteen percent (16%); or

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18 (ii) The acreage weighted average royalty  
19 interest of the leased tracts within the drilling unit.

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21 (j) Upon full payment of the recoverable costs as  
22 specified in subsection (g) of this section:

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1           (i) Within thirty (30) days after the operator  
2 has fully recovered his costs under subsection (g) of this  
3 section, the operator shall send notice to the  
4 nonconsenting owner to offer the nonconsenting owner the  
5 opportunity to participate under the pooling order as a  
6 working interest owner. The notice shall state that the  
7 nonconsenting owner may elect to participate in the pooling  
8 order or may elect to continue receiving the royalty  
9 specified in subsection (h) of this section;

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11           (ii) Within sixty (60) days after receiving  
12 notice, the nonconsenting owner shall inform the operator  
13 whether he wishes to make an election to participate under  
14 the pooling order as a working interest owner or continue  
15 receiving the royalty specified in subsection (h) of this  
16 section;

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18           (iii) If the nonconsenting owner fails to  
19 respond to the notice within the time specified in  
20 paragraph (ii) of this subsection, the nonconsenting owner  
21 shall be deemed to elect to continue receiving the royalty  
22 specified in subsection (h) of this section;

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1           (iv) Within five (5) business days after  
2 receiving notice of election from a nonconsenting owner or  
3 upon expiration of the time specified in paragraph (ii) of  
4 this subsection, the operator shall notify the commission  
5 regarding the nonconsenting owner's election or lack  
6 thereof.

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8           **Section 2.** This act is effective July 1, 2020.

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(END)