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Authority

The provisions of this Chapter 79 issued under section 5 of the Oil and Gas Conservation Law (58 P. S. § 405), unless otherwise noted.

Source

The provisions of this Chapter 79 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726, unless otherwise noted.

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GENERAL PROVISIONS**§ 79.1. Definitions.**

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

Act—The Oil and Gas Conservation Law (58 P. S. §§ 401—419). This chapter applies only to the formations and the wells which are covered by the act.

Blowout—A sudden or violent escape of oil or natural gas, as from a drilling well when high formational pressure is encountered.

Blowout preventer—A heavy casinghead control fitted with special gates or rams which can be closed around the drill pipe, or which completely closes the top of the casing.

Casinghead gas—Gas or vapor, or both gas and vapor, indigenous to an oil stratum and produced from the stratum with oil.

Common source of supply—A pool.

Condensate—Liquid hydrocarbons which were originally in the gaseous phase in the reservoir.

Correlative rights—The rights of each owner of oil and gas interest in a common pool or source of supply of oil or gas to have a fair and reasonable opportunity to obtain and produce his just and equitable share of the oil and gas in the pool or sources of supply without being required to drill unnecessary wells or incur other unnecessary expense to recover or receive the oil or gas or its equivalent.

Cubic foot of gas—The volume of gas contained in one cubic foot of space at a standard pressure base and a standard temperature base. For Department reports only, the standard pressure base shall be 14.73 pounds per square inch absolute and the standard temperature base shall be 60°F.

Drill—To drill or redrill a well or deepen an existing well.

Drilling unit—The term includes spacing unit and means the area designated in a spacing order as a unit and within which all operators have the opportunity to participate in the well or wells drilled thereon on a just and equitable basis.

Fees—Fees, as provided in the act, shall be made payable to the “Commonwealth of Pennsylvania” and credited to the account of the Department for its use under the act.

Gas—Natural gas and other volatile hydrocarbons not defined as oil, including condensate because it originally was in a gaseous phase in the reservoir.

Lease—A tract or tracts of land which by virtue of an oil and gas lease, fee or oil and gas ownership, constitute a single tract or leasehold estate for the purpose of the development or operation thereof for oil or gas, or both.

Nonparticipating operator—An operator who owns an interest in land included in a spacing unit, and who has not elected to participate in the drill-

ing, equipping, completing and operating the well or wells to be drilled on the unit, and to share in the costs of the same.

Oil—Crude petroleum oil and other hydrocarbons regardless of gravity produced at a well in liquid form by ordinary production methods. The term does not include liquid hydrocarbons which were originally in a gaseous phase in the reservoir.

Operator—An owner of the right to develop, operate and produce oil and gas from the pool. If there is no oil and gas lease in existence, the owner of the oil and gas rights shall be considered as operator to the extent of 7/8 of the oil and gas in that portion of the pool underlying the tract owned by that owner and a royalty owner as to a 1/8 interest in the oil and gas. If the oil is owned separately from the gas, the owner of the substance being produced or sought to be produced from the pool shall be considered as operator of the pool.

Participating operator—An operator who owns an interest in land included in a spacing unit, and who has elected to participate in the drilling, equipping, completing and operating the well to be drilled on the unit, and to share in the costs of the same.

Person—A natural person, corporation, association, partnership, receiver, trustee, executor, administrator, guardian, fiduciary or other representative, of any kind. The term includes a department, agency or instrumentality of the Commonwealth or a governmental subdivision thereof.

Pool—An underground reservoir containing a common accumulation of oil or gas, or both, not in communication laterally or vertically with another accumulation of oil or gas.

Producer—The owner of a well capable of producing oil or gas, or both.

Royalty owner—An owner of oil or gas in place or oil or gas rights subject to a lease covering the oil or gas in place or oil or gas rights. The term also includes an owner of an interest in an oil or gas lease which entitles him to share in the production of the oil or gas under the lease or the proceeds therefrom without obligating him to pay any costs under the lease. The term also includes the owner of an interest in the oil or gas in place or oil or gas rights who has not executed an oil or gas lease to the extent that the owner is not designated an operator.

Spacing unit—A drilling unit.

Waste—The following is considered waste:

(i) Physical waste as the term is generally understood in the oil and gas industry which includes the following:

(A) Permitting the migration of oil, gas or water from the stratum in which it is found to other strata if the migration would result in the loss of recoverable oil or gas, or both.

(B) The drowning with water of a stratum or part thereof capable of producing oil or gas in paying quantities except for secondary recovery purposes or in hydraulic fracturing or other completion practices.

- (C) The unnecessary or excessive surface loss or destruction of oil or gas.
- (D) The inefficient or improper use, or unnecessary dissipation of reservoir energy.
- (ii) The drilling of more wells than are reasonably required to recover efficiently and economically the maximum amount of oil and gas from a pool.

Authority

The provisions of this § 79.1 amended under the Oil and Gas Act (58 P. S. §§ 601.101—601.605); the Coal and Gas Resource Coordination Act (58 P. S. §§ 501—518); the Oil and Gas Conservation Law (58 P. S. §§ 401—419); Article XIX-A of The Administrative Code of 1929 (71 P. S. §§ 510-1—510-108); The Clean Streams Law (35 P. S. §§ 691.1—691.1001); and the Solid Waste Management Act (35 P. S. §§ 6018.101—6018.1003).

Source

The provisions of this § 79.1 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial pages (121570) and (4461) to (4462).

WELL DRILLING AND USE

§ 79.11. Drilling permits.

(a) No person may drill a well subject to the act unless a permit under the Oil and Gas Act (58 P. S. §§ 601.101—601.605) is obtained and the requirements of the act and this section are met.

(b) The requested location of the well may not conflict with a spacing or pooling order previously entered or pending before the Department, and the requested location shall be at least 330 feet from the nearest outside boundary line of the lease on which it is located. If the application is accompanied by a signed or certified copy of a voluntary unitization agreement unitizing all or a portion of the land on which the well is to be located with all other lands or portions thereof lying within 330 feet of the requested location, the permits will not be denied on the basis that the requested location is within 330 feet of the nearest outside boundary of the lease. If the application for a requested location within 330 feet of the nearest outside boundary is not accompanied by a voluntary unitization agreement as set out in the preceding sentence, and if the applicant—being otherwise qualified to receive a permit—desires to request the Department to waive the 330-foot limitation, the applicant may file a statement with the application requesting a hearing before the Department and stating the reasons why the exemption should be granted. Notice as provided in the act will be given to all operators owning land within 330 feet of the requested location. The Department will then determine at the public hearing whether the application for a permit will be granted.

(c) When a drilling permit is requested within an area covered by a spacing order, or on which an application for a spacing order is pending, the applicant shall comply with §§ 79.28 and 79.31 (relating to issuance of drilling permit; and application requirements) where applicable.

Authority

The provisions of this § 79.11 amended under: section 1920-A of The Administrative Code of 1929 (71 P. S. § 510-20); and section 5 of the Oil and Gas Conservation Law (58 P. S. § 405); amended under: the Oil and Gas Act (58 P. S. §§ 601.101—601.605); the Coal and Gas Resource Coordination Act (58 P. S. §§ 501—518); the Oil and Gas Conservation Law (58 P. S. §§ 401—419); Article XIX-A of The Administrative Code of 1929 (71 P. S. §§ 510-1 and 510-108); the The Clean Streams Law (35 P. S. §§ 691.1—691.1001); and the Solid Waste Management Act (35 P. S. §§ 6018.101—6018.1003).

Source

The provisions of this § 79.11 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended November 7, 1980, effective November 8, 1980, 10 Pa.B. 4294; amended January 7, 1983, effective January 8, 1983, 13 Pa.B. 127; amended July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial pages (78959) to (78960).

§ 79.12. Waste prevention.

- (a) Suitable and safe surface casing shall be used in wells to prevent waste.
- (b) Blowout equipment shall be in good working condition at all times and sufficient to prevent waste.
- (c) The operator shall run and cement sufficient intermediate or production casing, or both, to prevent waste prior to closing or “shutting in” the well at the surface.
- (d) The production casing shall be cemented in place with a sufficient amount of cement to fill the calculated annular space to a point at least 500 feet above the casing shoe and at least 200 feet above the uppermost perforations.
- (e) The cement shall be allowed to set to a minimum compression strength of 500 pounds per square inch, using generally recognized industry engineering data for the type of cement used, prior to resumption of drilling. The waiting time on cement shall in no case be less than 8 hours.

Authority

The provisions of this § 79.12 amended under: section 1920-A of The Administrative Code of 1929 (71 P. S. § 510-20); and section 5 of the Oil and Gas Conservation Law (58 P. S. § 405); amended under: the Oil and Gas Act (58 P. S. §§ 601.101—601.605); the Coal and Gas Resource Coordination Act (58 P. S. §§ 501—518); the Oil and Gas Conservation Law (58 P. S. §§ 401—419); Article XIX-A of The Administrative Code of 1929 (71 P. S. §§ 510-1—510-108); The Clean Streams Law (35 P. S. §§ 691.1—691.1001); and the Solid Waste Management Act (35 P. S. §§ 6018.101—6018.1003).

Source

The provisions of this § 79.12 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended January 7, 1983, effective January 8, 1983, 13 Pa.B. 127; amended July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial pages (78961) to (78962).

§ 79.13. [Reserved].**Source**

The provisions of this § 79.13 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; reserved July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial page (78962).

§ 79.14. [Reserved].**Source**

The provisions of this § 79.14 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended January 7, 1983, effective January 8, 1983, 13 Pa.B. 127; reserved July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial pages (78962) to (78963).

§ 79.15. Fire prevention.

(a) Rubbish or debris which might constitute a fire hazard shall be removed to a distance of at least 100 feet from the well location, tanks and separator. Waste oil or gas shall be burned or disposed of in a manner to avert creating a fire hazard.

(b) When it is deemed necessary by the Department to protect life, health or property, the Department may require any oil storage tank to have a method of secondary containment which meets the requirements of § 78.64 (relating to containment around oil tanks).

(c) A person controlling or operating oil and gas wells or pipelines, or receiving tanks, storage tanks or receiving and storage receptacles into which crude oil is produced, received or stored, or through which oil or gas is piped or transported, shall immediately notify the Department and confirm by letter giving full details concerning fires which occur at the oil or gas wells or tanks or receptacles on their property, and that person shall immediately report and confirm in the same manner, tanks or receptacles struck by lightning and any other fire which destroys oil or gas, and also breaks in or from tanks or receptacles and pipelines from which oil or gas is escaping or has escaped. In the reports of fires, breaks or other accidents of this nature, the location of the well, tank, receptacle or line break shall be given by latitude and longitude, and property, so that the exact location thereof can be readily located on the ground. The reports shall likewise specify what steps have been taken or are in progress to remedy the situation reported and shall detail the quantity of oil or gas estimated to have been lost, destroyed or permitted to escape. In case a tank or receptacle is permitted to run over, the escape thus occurring shall be reported. The report hereby required as to oil losses shall be necessary only in case the estimated oil loss exceeds 100

barrels in the aggregate, or when the estimated gas loss exceeds 3 million cubic feet in the aggregate. The provisions of this section apply to the oil or gas losses on the lease or spacing unit and not to oil or gas losses from pipelines, or transmission lines, or transmission systems.

Authority

The provisions of this § 79.15 amended under section 604 of the Oil and Gas Act (58 P. S. § 601.104); section 5 of the Oil and Gas Conservation Law (58 P. S. § 405); section 105 of the Solid Waste Management Act (35 P. S. § 6018.105); section 5 of The Clean Streams Law (35 P. S. § 691.5); and section 1920-A of The Administrative Code of 1929 (71 P. S. § 510-20).

Source

The provisions of this § 79.15 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended March 6, 1998, effective March 7, 1998, 28 Pa.B. 1234. Immediately preceding text appears at serial page (169987).

§ 79.16. Deviation in drilling.

(a) The maximum point at which a well penetrates the producing formation may not unreasonably vary from the vertical drawn from the center of the hole at the surface. Deviation is permitted to straighten the hole, sidetrace junk, correct mechanical difficulties or to achieve geological objectives permitted by the act.

(b) No drilled well may be intentionally deviated from the vertical in order to intersect the producing horizon outside the area permitted by the spacing order, unless the deviation is authorized by a permit under the Oil and Gas Act (58 P. S. §§ 601.101—601.605). Upon completion of an intentionally deviated well, a complete angular deviation and directional survey of the well, obtained by a responsible well surveying company, shall be filed with the Department together with other regularly required reports.

Authority

The provisions of this § 79.16 amended under the Oil and Gas Act (58 P. S. §§ 601.101—601.605); the Coal and Gas Resource Coordination Act (58 P. S. §§ 501—518); the Oil and Gas Conservation Law (58 P. S. §§ 401—419); Article XIX-A of The Administrative Code of 1929 (71 P. S. §§ 510-1—510-108); The Clean Streams Law (35 P. S. §§ 691.1—691.1001); and the Solid Waste Management Act (35 P. S. §§ 6018.101—6018.1003).

Source

The provisions of this § 79.16 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial page (78964).

§ 79.17. [Reserved].**Source**

The provisions of this § 79.17 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; reserved July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial page (78964).

§ 79.18. [Reserved].**Source**

The provisions of this § 79.18 adopted January 7, 1983, effective January 8, 1983, 13 Pa.B. 127; reserved July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial pages (78964) and (123439).

WELL SPACING ORDERS**§ 79.21. Application requirements.**

(a) After one or more wells have been drilled, establishing the existence of a pool subject in the act, an application for a spacing order may be filed by the operator of the discovery well or the operator of lands directly and immediately affected by the drilling of the discovery well or subsequent wells, which application shall include the following:

- (1) The producing horizon in the pool sought to be spaced. The information shall include the depth in the discovery well of the producing zone and the formation from which the production is being obtained.
- (2) A plat shall be filed indicating the latitude and longitude of each well drilled to the pool sought to be spaced, and the area proposed to be included within the spacing order on a scale of 1,320 feet to an inch.
- (3) The size of the spacing unit recommended, based on the maximum area which may be drained efficiently and economically by one well.
- (4) Whether the wells in the field are producing oil or gas. If the wells in the field are producing both oil and gas, evidence showing the gas/oil ratio of the wells shall be required.

(b) In addition to the requirements in subsection (a), the following information may be included in the application, at the option of the applicant:

- (1) A land map outlining the area to be included in each spacing unit in the area covered by the spacing order. If the map is not submitted with the application, or filed by another party at the hearing, unless otherwise determined by the Department, the order will merely set out the approximate amount of acres which will be contained in a drilling unit, and each drilling unit shall be formed prior to the time a well is commenced thereon, as provided in the act.
- (2) Information regarding the surface topography of the area to be covered by the order.

(3) Information regarding reservoir characteristics, such as permeability, porosity, water and so forth.

(c) No single application for a spacing order may cover an area exceeding 10 square miles.

(d) Each application for a spacing order shall be accompanied by a fee of \$1,000; if the spacing plan of a contestant to the application is adopted, all or a portion of the fee may at the discretion of the Department be levied against the contestant, in which event the portion of the fee will be refunded to the applicant.

Source

The provisions of this § 79.21 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended November 7, 1980, effective November 8, 1980, 10 Pa.B. 4294. Immediately preceding text appears at serial page (4467).

§ 79.22. Notice of hearing.

Immediately upon the filing of an application the Department will give notice of the hearing in the following manner:

(1) Publication for 2 successive weeks in a newspaper in general circulation in each county where any land which may be affected by the order is located.

(2) Mailing a copy of the notice to all persons who have specified to the Department an address to which the notices may be mailed. The first publication and the mailing of the notice shall be at least 15 days before the date fixed for hearing. The Department will maintain a file of addresses, together with the counties or districts in which the persons filing the addresses are interested, in order that the notice may be mailed to them.

Source

The provisions of this § 79.22 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726.

Cross References

This section cited in 25 Pa. Code § 79.23 (relating to matters considered); and 25 Pa. Code § 79.24 (relating to contents of order).

§ 79.23. Matters considered.

(a) At the time and place specified in the notice under § 79.22 (relating to notice of hearing), the Department will conduct a public hearing. The applicant shall present evidence to substantiate the allegations in his application. The following evidence may be considered by the Department in entering its order:

(1) The surface topography and property lines of the land underlain by the pool.

(2) The plan of well spacing then being employed or proposed in such pool.

(3) The depth at which production from the pool has been found.

(4) The nature and character of the producing formation or formations and whether the substances produced or sought to be produced are gas or oil.

(5) The maximum area which may be drained efficiently and economically by one well.

(6) Other available geological or scientific data pertaining to the pool which may be of probative value to the Department in determining the proper spacing unit therefor with due and relative allowance for correlative rights and obligations of the operators' and royalty owners' interests therein.

(b) Any other operator or royalty owner of land within the area sought to be covered by the prospective spacing order shall have the right to appear and oppose or support the spacing plan sought by the applicant and to present its own plan for consideration.

Source

The provisions of this § 79.23 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726.

§ 79.24. Contents of order.

(a) The spacing order shall determine the following issues:

(1) The area covered by the spacing order. The area shall be indicated on a map or plat, and placed in the permanent records of the Department. The map or plat shall also be recorded promptly in the office of the recorder of deeds in the county where the land is located, by the successful party, who shall furnish proof of recording to the Department.

(2) The approximate size of the spacing unit.

(b) In the event the applicant or other interested party has filed a property map indicating spacing units, or if the Department desires to do so on its own motion, individual spacing units within the area covered by the order may be set out on the best available map.

(c) In the event that the spacing units are not set out on the map of the area covered by the spacing order, the Department will fix the approximate size of the spacing units, and will fix the location of spacing units around all existing wells in the pool. Before drilling permits will be issued in the area covered by the spacing order, the operator or operators seeking the permits shall be required to submit a plat defining the spacing unit containing approximately this amount of acreage accompanied by an application to the Department to fix the spacing unit for the well. Notice shall then be given to all of the operators owning an interest in the area covered by the spacing order, in the same manner as provided in § 79.22 (relating to notice of hearing). The outside boundary lines of the spacing unit in the direction of prior spacing units shall coincide with the boundaries of the prior units, without gaps or omitted tracts in between two units. The other operators and royalty owners within the area to be covered by the proposed spacing unit or in the vicinity thereof, may appear at the hearing and oppose or support the formation of the unit, or present other plans for the formation of the unit.

The unit shall reasonably conform to the area which will be efficiently and economically drained by the well drilled thereon. After notice and hearing, the Department will determine the area to be included in the spacing unit and file the plat thereof in the permanent records of the Department. The successful party shall promptly record the plat in the office of the recorder of deeds of the county or counties where the land is located.

(d) The order will fix the minimum distance which a well drilled on each unit shall be set back from the nearest boundary line of the unit.

Source

The provisions of this § 79.24 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726.

§ 79.25. Temporary orders.

If the Department finds that there is not sufficient evidence from which to determine the area which can be efficiently and economically drained by one well, the Department may enter an order establishing temporary spacing units for the orderly development of the pool, pending the submission of information required to determine what the ultimate spacing will be.

Source

The provisions of this § 79.25 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726.

§ 79.26. Exceptions to orders.

(a) The Department may allow an exception to the spacing order to vary the minimum distance from the boundary line upon which a well on a given unit may be drilled, upon proof that one of the following circumstances exist:

(1) To take into consideration wells drilled or being drilled at the time the application is filed for a spacing order.

(2) If the Department finds after notice and hearing that a well drilled within the minimum distance prescribed in the spacing order would not be likely to produce in paying quantities.

(3) If the Department finds after notice and hearing that the well drilled at or more than the specified minimum distance from the boundary of the spacing unit will encounter surface conditions which would substantially add to the burden or hazards of drilling the well.

(4) If the operators are prevented from drilling within the area permitted by the order because the Department has prohibited a location within the area because of objections by coal operators.

(b) In granting an exception to the spacing order to permit drilling at less than the minimum distance from the boundary line of the spacing unit, the Department may restrict the production from the well so that each person entitled thereto in the spacing units does not produce or receive more than his just and equitable share of the production. If the Department finds that the production should be

restricted, it will make or cause to be made tests of the well to determine its average production and will require meter charts, production histories, or other records as it may deem necessary or advisable to determine that the well is producing in the manner required by order of the Department.

Authority

The provisions of this § 79.26 amended under the Oil and Gas Act (58 P. S. §§ 601.101—601.605); the Coal and Gas Resource Coordination Act (58 P. S. §§ 501—518); the Oil and Gas Conservation Law (58 P. S. §§ 401—419); Article XIX-A of The Administrative Code of 1929 (71 P. S. §§ 510-1—510-108); The Clean Streams Law (35 P. S. §§ 691.1—691.1001); and the Solid Waste Management Act (35 P. S. §§ 6018.101—6018.1003).

Source

The provisions of this § 79.26 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended July 28, 1989, effective July 29, 1989, 19 Pa.B. 3229. Immediately preceding text appears at serial pages (4470) to (4471).

Cross References

This section cited in 25 Pa. Code § 79.28 (relating to issuance of drilling permit).

§ 79.27. Modification of orders.

(a) The Department may modify spacing orders to include additional lands determined to be underlain by the pool, or to exclude lands determined not to be underlain by the pool. The order establishing spacing units may also be modified by the Department to permit the drilling of additional wells upon a reasonably uniform pattern and at a uniform minimum distance from the nearest unit boundary as provided above.

(b) An order modifying a prior spacing order shall be made only after application by an interested operator and notice and hearing as prescribed for the original order. The modification of an order shall be promptly recorded in the office of the recorder of deeds in the county or counties on which the land affected is located by the successful party and proof of the recording made to the Department.

Source

The provisions of this § 79.27 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726.

§ 79.28. Issuance of drilling permit.

(a) No permit will be granted for the drilling of a well to a pool which is the subject of a pending application for spacing order until the order establishing spacing units has been made, except where the operator, after notice and hearing, can show that he will be unduly prejudiced by the delay and in such case the location shall comply with the spacing pattern in the application which has been filed.

(b) After a spacing order has been entered no permit will be issued for a well to be drilled within the area covered by the order which is less than the minimum distance from the nearest boundary of the spacing unit as set out in the order, unless the operator has obtained an exception to the order under § 79.26 (relating to exceptions to orders). If an application for a drilling permit is refused because of a pending application for a spacing order covering the area on which the drilling permit is sought the applicant for the drilling permit may apply to the Department for an order to shut in the well or wells on adjoining land which are draining his land, until the spacing order is entered. Notice shall be given to the operator of the well or wells sought to be shut in at least 1 week prior to the date of the hearing. At the hearing, the Department will determine whether the well or wells on adjoining lands shall be shut in in order to protect correlative rights until the applicant has the opportunity to obtain a spacing order.

Source

The provisions of this § 79.28 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726.

Cross References

This section cited in 25 Pa. Code § 79.11 (relating to drilling permits).

INTEGRATION OF INTERESTS IN SPACING UNITS

§ 79.31. Application requirements.

When an application is filed for a drilling permit on the area covered by the spacing order, it shall be accompanied by the following:

(1) A survey of the entire spacing unit showing the location and acreage content of tracts or portions of tracts, included within the spacing unit. If the operators and royalty owners included in the unit agree on the amount of acreage contained in each tract included in the unit and file a stipulation to that effect, a survey is not necessary. A counterpart or certified copy of a unit operating agreement or unit agreement signed by all of the operators and royalty owners in the unit, and specifying the participation to which each shall be entitled shall meet the requirements of the stipulation herein referred to. If accurate surveys of the spacing unit or tracts included therein are available, they may be used and a new survey is not required.

(2) If there is only one operator in the area covered or to be covered by the spacing unit, the operator shall file an affidavit to that effect. If there is more than one operator owning an interest within the drilling unit, the operators shall file a stipulation setting out the manner in which the cost of the proposed well is to be paid. A counterpart or certified copy of a joint operating agreement containing the provisions shall meet this requirement.

(3) In the event that all of the operators in the spacing unit have not signed the stipulation set out in paragraph (1), the statement shall be filed stating the

names and addresses of the operators who have not executed the agreement and the estimated share of the cost of the well attributable to the interest. The operator or operators desiring to drill the well shall include in this statement whether or not they are willing to advance the nonparticipating operator's share of the cost of the well, and if the well results in production, to recover twice the amount of the costs out of the nonparticipating operator's share of the production. The participating operators shall include the statement with an application for an integration order as provided in § 79.33 (relating to integration orders). The Department will then notify the nonparticipating operators that they shall come in and file their proportionate share of the estimated cost, or a satisfactory bond securing the payment of the amount at the time it is expended by the participating operators, with the Department within 30 days from the date of the notice. The following provisions shall be alternatives to the requirements of this paragraph:

(i) If the participating operators have indicated their desire to advance the nonparticipating operator's share of the cost, then the notice shall so state and shall state that the nonparticipating operator shall then be entitled to receive his proportionate share of the production, if any, after a sum equal to double his proportionate share of the cost of the drilling and equipping the well have been repaid to the participating operators, plus an additional charge for supervision, cost of operation, and interest, at the rate of 6% per annum, out of 7/8 of the proportionate part of the production from the well drilled on the unit which is allocated to the tract or interest owned by the nonparticipating operator.

(ii) If the participating operators have indicated that they are not willing to advance the share of the cost attributable to the nonparticipating operator, the notice shall state that this is the fact and that a hearing for the compulsory unitization of interests will be held in accordance with § 79.33.

Source

The provisions of this § 79.31 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726.

Cross References

This section cited in 25 Pa. Code § 79.11 (relating to drilling permits); 25 Pa. Code § 79.32 (relating to issuance of drilling permit); and 25 Pa. Code § 79.33 (relating to integration order).

§ 79.32. Issuance of drilling permit.

(a) If a proper application has been filed under § 79.31 (relating to application requirements) and if all of the operators in the spacing unit have agreed to participate in the drilling of a well, or if all of the operators in the spacing unit have agreed to participate in the well except for some operators who have not agreed to participate, and the participating operators have agreed to advance the share of the cost attributable to the nonparticipating operators, and the time

allowed the nonparticipating operators to come in and advance their share of the cost has elapsed, the drilling permit will be issued. In the event some of the operators have not agreed to participate in their share of the costs, the operators participating in the well shall keep an accurate record of all costs in connection with the drilling, equipping and operating of the well, and if the well is completed as a producer, shall file the complete record with the Department within a reasonable time. The operator shall also keep adequate production records, which shall be open for inspection to the Department or its agents, and to the nonparticipating operators, at reasonable business hours, to determine when twice the cost of drilling and equipping the well plus a reasonable charge for supervision, cost of operation and interest at the rate of 6% per annum has been paid. The participating operators may apply to the Department after notice to the nonparticipating operators and hearings, for determination of a reasonable charge for supervision. The participating operator shall be entitled to recover twice the nonparticipating operator's share of the drilling and equipping costs, plus a reasonable charge for supervision, the cost of operation, and interest at the rate of 6% per annum, out of 7/8 of the nonparticipating operator's share of the production. One-eighth of the share of the production attributable to the nonparticipating operator's interest shall be paid to him from the time of the completion of the well.

(b) If there is a dispute as to the estimated or actual amount of cost, either the participating operators or the nonparticipating operators may apply to the Department to determine the actual cost or estimated cost.

(c) In instances where a well is completed prior to the integration of interests in a spacing unit, the sharing of production shall be from the effective date of the integration, except that in calculating costs credit shall be given for the value of each operator's share of any prior production from the well.

Source

The provisions of this § 79.32 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726.

§ 79.33. Integration order.

(a) In the event that the participating operators are not willing to advance the share of the cost of the well attributable to nonparticipating operators, they shall file an application for an integration order. The application shall accompany the application for a drilling permit on the spacing unit as provided in § 79.31 (relating to application requirements).

(b) Notice of the application for an integration order shall be given by certified mail to all other operators and royalty owners within the unit whose interests are of record, at least 15 days prior to the date of the hearing, or in the alternative by personal service. If the persons or their addresses are unknown to the applicant, notice may be given by the Department by publication for 2 successive weeks in a newspaper of general circulation in the county, or each county if there

be more than one in which the lands embraced within the unit are situated. The first publication shall be at least 15 days prior to the date of the hearing.

(c) The integration order shall contain the following:

(1) The proportionate amount of the estimated cost of drilling, completing and equipping the well attributable to the interest of each nonparticipating operator. If the estimated cost of the well is disputed the Department will determine the estimated cost and adjust this amount to the actual cost after the well is completed and equipped.

(2) The value in money of the operating interest, or leasehold estate, owned by the nonparticipating operator, or if requested by the nonparticipating operator, and at the discretion of the Department, the amount of overriding royalty or carried interest which may be retained by the nonparticipating operator in return for transfer of the operating or leasehold rights to the participating operators.

(3) A form of oil and gas lease, assignment or other agreement which shall fix the future rights between the participating operator and nonparticipating operators, which lease form, assignment or other agreement shall provide for a 1/8 royalty on both oil and gas, shall cover only the formation or horizon covered by the spacing order, and shall be for a primary term which allows for a reasonable time to commence the well on the spacing unit, and as long thereafter as oil or gas is produced in paying quantities from such spacing unit. If lands owned by the Commonwealth are subject to the integration order, the lease shall contain provisions protecting the surface of the land for the purposes for which it was acquired by the Commonwealth.

(d) After the expiration of the time allotted in the integration order for the nonparticipating operator to contribute his share of the estimated cost, the participating operators may acquire the nonparticipating operators' operating rights or leasehold interest by paying to the nonparticipating operator the cash value for the leasehold estate as fixed by the integration order, or in the alternative paying the money value to the Department which will be held by the Department for the credit of the operator and may be withdrawn by him at any time or by filing an agreement with the Department agreeing to the overriding royalty or carried interest fixed by the integration order. An oil and gas lease, assignment or other agreement on the form specified by the Department in accordance with subsection (c) shall be executed by the nonparticipating operator as lessor to the participating operators as lessee. If the nonparticipating operator fails or refuses to execute the lease or assignment, the Department will execute the lease or assignment on his behalf, and the lease or assignment shall be binding upon him from and after the date of execution.

(e) The application for an integration order shall be accompanied by a fee of \$500.

Source

The provisions of this § 79.33 adopted August 12, 1971, effective August 13, 1971, 1 Pa.B. 1726; amended November 7, 1980, effective November 8, 1980, 10 Pa.B. 4294. Immediately preceding text appears at serial page (47889).

Cross References

This section cited in 25 Pa. Code § 79.31 (relating to application requirements).

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