

1 *Senate* BILL NO. 111  
 2 INTRODUCED BY *Matthew Turrell*  
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO DEFINE THE TERM  
 5 "ENHANCED RECOVERY"; TO SUBSTITUTE THE TERM "ENHANCED  
 6 RECOVERY" FOR THE TERMS "PRESSURE MAINTENANCE" AND  
 7 "SECONDARY RECOVERY"; AND TO PROVIDE FOR RECOVERY OF COSTS  
 8 OF AN ENHANCED RECOVERY PROGRAM INITIATED SUBSEQUENT TO A  
 9 SECONDARY RECOVERY PROGRAM; AMENDING SECTIONS 60-126,  
 10 60-131.1, AND 60-131.3, R.C.M. 1947."  
 11

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 13 Section 1. Section 60-126, R.C.M. 1947, is amended to  
 14 read as follows:

15 "60-126. Definitions. As used in this chapter, unless  
 16 the context requires otherwise:

17 (1) "Waste" means: (1) physical waste, as that term is  
 18 generally understood in the oil and gas industry; (2) the  
 19 inefficient, excessive, or improper use of, or the  
 20 unnecessary dissipation of reservoir energy; (3) the  
 21 location, spacing, drilling, equipping, operating or  
 22 producing of any oil or gas well or wells in a manner which  
 23 causes, or tends to cause, reduction in the quantity of oil  
 24 or gas ultimately recoverable from a pool under prudent and  
 25 proper operations, or which causes or tends to cause

1 unnecessary or excessive surface loss or destruction of oil  
 2 or gas; and, (4) the inefficient storing of oil or gas. The  
 3 production of oil or gas from any pool or by any well to the  
 4 full extent that the well or pool can be produced in  
 5 accordance with methods designed to result in maximum  
 6 ultimate recovery, as determined by the board, is not waste  
 7 within the meaning of this definition.

8 (2) "Board" means the board of oil and gas  
 9 conservation provided for in section 82A-1508.

10 (3) "Person" means any natural person, corporation,  
 11 association, partnership, receiver, trustee, executor,  
 12 administrator, guardian, fiduciary, or other representative  
 13 of any kind, and includes any agency or instrumentality of  
 14 the state or any governmental subdivision thereof.

15 (4) "Oil" means crude petroleum oil and other  
 16 hydrocarbons regardless of gravity which are produced at the  
 17 wellhead in liquid form by ordinary production methods, and  
 18 which are not the result of condensation of gas before or  
 19 after it leaves the reservoir.

20 (5) "Gas" means all natural gases and all other fluid  
 21 hydrocarbons as produced at the wellhead and not defined as  
 22 oil in subsection (4) of this section.

23 (6) "Pool" means an underground reservoir containing a  
 24 common accumulation of oil or gas or both; each zone of a  
 25 structure which is completely separated from any other zone

1 in the same structure is a pool, as that term is used in  
2 this chapter.

3 (7) "Field" means the general area underlaid by one  
4 fl) or more pools.

5 (8) "Owner" means the person who has the right to  
6 drill into and produce from a pool and to appropriate the  
7 oil or gas he produces therefrom either for himself or  
8 others or for himself and others, and the term includes all  
9 persons holding such authority by or through him.

10 Nothing herein contained shall be construed to conflict  
11 with subsection (4) of section 31-1702, granting the state  
12 board of land commissioners the authority to enter into  
13 pooling and unitization agreements for the production of oil  
14 or gas with others.

15 (9) "Producer" means the owner of a well or wells  
16 capable of producing oil or gas or both.

17 (10) "Department" means the department of natural  
18 resources and conservation provided for in Title 82A,  
19 chapter 15.

20 (11) "Enhanced recovery" means the increased recovery  
21 from a pool achieved by artificial means or by the  
22 application of energy extrinsic to the pool; such artificial  
23 means or application includes pressuring, cycling, pressure  
24 maintenance, or injection into the pool of any substance or  
25 form of energy as is contemplated in secondary recovery and

1 tertiary programs but does not include the injection in a  
2 well of a substance or form of energy for the sole purpose  
3 of aiding in the lifting of fluids in the well or  
4 stimulating of the reservoir at or near the well by  
5 mechanical, chemical, thermal, or explosive means."

6 Section 2. Section 60-131.1, R.C.M. 1947, is amended  
7 to read as follows:

8 "60-131.1. Operation of pool as unit -- board to hold  
9 hearing -- notice. (1) The board, upon the application of  
10 persons owning leasehold interests underlying sixty per cent  
11 (60%) of the surface within the delineated area, shall hold  
12 a hearing to consider the need for the operation as a unit  
13 of one (1) or more pools or parts thereof in a field, for  
14 ~~pressure-maintenance-or-secondary-recovery~~ enhanced recovery  
15 purposes as to oil or oil and gas, to increase ultimate  
16 recovery, or to prevent waste of gas from pools or portions  
17 of pools where gas only is produced.

18 (2) At least sixty (60) days prior to application, the  
19 applicant shall, by registered or certified mail, notify all  
20 known persons owning an interest in the oil and gas within  
21 the proposed unit area as disclosed by the records of the  
22 county or counties in which the proposed unit area is  
23 situated, at that person's last known address, of the  
24 applicant's intention to make the application. At the same  
25 time producers shall be furnished with a plan of unit

1 operations. Upon written request of an operator of a lease  
 2 which is in whole or in part within the confines of the  
 3 proposed delineated area, the applicant shall furnish the  
 4 operator with copies of any exhibits to be submitted to the  
 5 board at the time of hearing."

6 Section 3. Section 60-131.3, R.C.M. 1947, is amended  
 7 to read as follows:

8 "60-131.3. Terms and conditions of order --  
 9 requirements. The order shall be upon terms and conditions  
 10 that are just and reasonable and shall prescribe a plan for  
 11 unit operations that shall include:

12 (1) A description of the pool or pools or parts  
 13 thereof to be so operated, termed the unit area, but only so  
 14 much of a pool as has reasonably been defined and determined  
 15 by drilling operations to be productive of oil or gas may be  
 16 included within the unit area. If the unit is formed solely  
 17 for production of gas, a spacing unit on which is located a  
 18 well producing or capable of producing gas on March 1, 1971,  
 19 may not be included in the unit area without the written  
 20 consent of the majority in interest of the working interest  
 21 owners of the spacing unit and well.

22 (2) A statement of the nature and purpose of the plan  
 23 and operations contemplated, together with a copy of the  
 24 proposed unit agreement and unit operating agreement.

25 (3) A plan for allocating to each tract in the unit

1 area its fair share of the oil and gas produced from the  
 2 unit area and not required or consumed in the conduct of the  
 3 operation of the unit area or unavoidably lost. A plan may  
 4 not be approved by the board until it has considered the  
 5 relative value that the share of production bears to the  
 6 relative value of all of the separately owned tracts in the  
 7 unit area, exclusive of physical equipment utilized in unit  
 8 operations. In considering this relative value, the board  
 9 shall weigh the economic value of the gas to all persons  
 10 affected as compared to the economic value of the oil to all  
 11 persons affected.

12 (4) A provision for the credits and charges to be made  
 13 in the adjustment among the owners in the unit area for  
 14 their respective investments in wells, tanks, pumps,  
 15 machinery, materials, and equipment contributed to the unit  
 16 operations.

17 (5) A provision providing how the costs of unit  
 18 operations, including overhead and capital investments,  
 19 shall be determined and charged to the separately owned  
 20 tracts, including a provision for carrying or otherwise  
 21 financing any owner who has not executed the proposed unit  
 22 operating agreement and who elects to be carried or  
 23 otherwise financed, allowing an interest charge of the then  
 24 current prime rate plus two per cent (2%) for the service.  
 25 Recovery of the money advanced, plus interest, shall be

1 limited to, and only shall be recoverable from, the owners'  
2 share of production. The recovery shall be as follows:

3 (a) (1) In the case of a field producing oil, or oil  
4 and gas, during the period of depletion of the remaining  
5 estimated primary reserves from the unit, only from the  
6 production that is in excess of the owners' average actual  
7 rate of production during the eighteen (18) months  
8 immediately preceding the effective date of the unit. For  
9 purposes of this subsection, the term "primary reserves"  
10 means the oil or gas which would be produced from the  
11 unitized pool or pools ~~or as~~ a result of the natural energy  
12 therein and without the introduction of ~~a secondary an~~  
13 ~~enhanced~~ recovery program.

14 (2) During the period subsequent to the depletion of  
15 the remaining estimated primary reserves from the unit, from  
16 one hundred per cent (100%) of the owners' share of  
17 production.

18 (b) In the case of a field producing only gas, the  
19 recovery shall be from one hundred per cent (100%) of the  
20 owners' share of production.

21 ~~(c) In the case of any enhanced recovery program that~~  
22 ~~is initiated subsequent to a secondary recovery program, the~~  
23 ~~recovery shall be from 75% of the owners' share of~~  
24 ~~production.~~

25 (6) A provision for the supervision and conduct of the

1 unit operations, in respect to which each owner shall have a  
2 vote with a value corresponding to the percentage of the  
3 costs of unit operations chargeable against the interest of  
4 the owner.

5 (7) A provision whereby the unit operator, after  
6 having operated for a minimum period of two (2) years, can  
7 be challenged by any other owner in the unit, and the  
8 challenging owner may succeed to the unit operations upon a  
9 showing that: (a) he can operate more efficiently and  
10 economically than the present operator; (b) he is qualified  
11 and financially responsible; (c) a majority of the other  
12 owners, both in number and in percentage and exclusive of  
13 the challenged operator, approved the challenging owner  
14 becoming unit operator; and, (d) the challenged operator  
15 does not initiate the conditions of operations of the  
16 challenging owner within sixty (60) days of the challenged  
17 operator's receipt of the conditions of operations.

18 (8) The time when the unit operations shall commence,  
19 and the manner in which, and the circumstances under which,  
20 the unit operations shall terminate; and

21 (9) Such additional provisions that are found to be  
22 appropriate for carrying on unit operations and for the  
23 protection and adjustment of correlative rights."

-End-

STATE OF MONTANA

REQUEST NO. 569-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 21, 19 77, there is hereby submitted a Fiscal Note for Senate Bill 111 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 111 defines certain terms relative to the production and exploration of oil and gas.

FISCAL IMPACT:

None. Senate Bill 111 defines terms and recovery of costs of an enhanced recovery program and has no effect on revenues or expenditures.

*Richard L. Drury for*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-23-77

Approved by Committee  
on Business and Industry

1 SENATE BILL NO. 111

2 INTRODUCED BY MATHERS, TORRAGE

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18 generally understood in the oil and gas industry; (2) the  
19 inefficient, excessive, or improper use of, or the  
20 unnecessary dissipation of reservoir energy; (3) the  
21 location, spacing, drilling, equipping, operating or  
22 producing of any oil or gas well or wells in a manner which  
23 causes, or tends to cause, reduction in the quantity of oil  
24 or gas ultimately recoverable from a pool under prudent and  
25 proper operations, or which causes or tends to cause

1 unnecessary or excessive surface loss or destruction of oil  
2 or gas; and, (4) the inefficient storing of oil or gas. The  
3 production of oil or gas from any pool or by any well to the  
4 full extent that the well or pool can be produced in  
5 accordance with methods designed to result in maximum  
6 ultimate recovery, as determined by the board, is not waste  
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8 (2) "Board" means the board of oil and gas  
9 conservation provided for in section 82A-1508.

10 (3) "Person" means any natural person, corporation,  
11 association, partnership, receiver, trustee, executor,  
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14 the state or any governmental subdivision thereof.

15 (4) "Oil" means crude petroleum oil and other  
16 hydrocarbons regardless of gravity which are produced at the  
17 wellhead in liquid form by ordinary production methods, and  
18 which are not the result of condensation of gas before or  
19 after it leaves the reservoir.

20 (5) "Gas" means all natural gases and all other fluid  
21 hydrocarbons as produced at the wellhead and not defined as  
22 oil in subsection (4) of this section.

23 (6) "Pool" means an underground reservoir containing a  
24 common accumulation of oil or gas or both; each zone of a  
25 structure which is completely separated from any other zone

1 in the same structure is a pool, as that term is used in  
2 this chapter.

3 (7) "Field" means the general area underlaid by ~~one~~  
4 ~~four~~ or more pools.

5 (8) "Owner" means the person who has the right to  
6 drill into and produce from a pool and to appropriate the  
7 oil or gas he produces therefrom either for himself or  
8 others or for himself and others, and the term includes all  
9 persons holding such authority by or through him.

10 Nothing herein contained shall be construed to conflict  
11 with subsection (4) of section 81-1702, granting the state  
12 board of land commissioners the authority to enter into  
13 pooling and unitization agreements for the production of oil  
14 or gas with others.

15 (9) "Producer" means the owner of a well or wells  
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17 (10) "Department" means the department of natural  
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23 means or application includes pressuring, cycling, pressure  
24 maintenance, or injection into the pool of any substance or  
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3 of aiding in the lifting of fluids in the well or  
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18 (2) At least sixty (60) days prior to application, the  
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 5 board at the time of hearing."

6 Section 3. Section 60-131.3, R.C.S. 1947, is amended  
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 15 by drilling operations to be productive of oil or gas may be  
 16 included within the unit area. If the unit is formed solely  
 17 for production of gas, a spacing unit on which is located a  
 18 well producing or capable of producing gas on March 1, 1971,  
 19 may not be included in the unit area without the written  
 20 consent of the majority in interest of the working interest  
 21 owners of the spacing unit and well.

22 (2) A statement of the nature and purpose of the plan  
 23 and operations contemplated, together with a copy of the  
 24 proposed unit agreement and unit operating agreement.

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1 area its fair share of the oil and gas produced from the  
 2 unit area and not required or consumed in the conduct of the  
 3 operation of the unit area or unavoidably lost. A plan may  
 4 not be approved by the board until it has considered the  
 5 relative value that the share of production bears to the  
 6 relative value of all of the separately owned tracts in the  
 7 unit area, exclusive of physical equipment utilized in unit  
 8 operations. In considering this relative value, the board  
 9 shall weigh the economic value of the gas to all persons  
 10 affected as compared to the economic value of the oil to all  
 11 persons affected.

12 (4) A provision for the credits and charges to be made  
 13 in the adjustment among the owners in the unit area for  
 14 their respective investments in wells, tanks, pumps,  
 15 machinery, materials, and equipment contributed to the unit  
 16 operations.

17 (5) A provision providing how the costs of unit  
 18 operations, including overhead and capital investments,  
 19 shall be determined and charged to the separately owned  
 20 tracts, including a provision for carrying or otherwise  
 21 financing any owner who has not executed the proposed unit  
 22 operating agreement and who elects to be carried or  
 23 otherwise financed, allowing an interest charge of the then  
 24 current prime rate plus two per cent (2%) for the service.  
 25 Recovery of the money advanced, plus interest, shall be



1 limited to, and only shall be recoverable from, the owners'  
2 share of production. The recovery shall be as follows:

3 (a) (1) In the case of a field producing oil, or oil  
4 and gas, during the period of depletion of the remaining  
5 estimated primary reserves from the unit, only from the  
6 production that is in excess of the owners' average actual  
7 rate of production during the eighteen (18) months  
8 immediately preceding the effective date of the unit. For  
9 purposes of this subsection, the term "primary reserves"  
10 means the oil or gas which would be produced from the  
11 unitized pool or pools ~~as~~ as a result of the natural energy  
12 therein and without the introduction of ~~a secondary an~~  
13 enhanced recovery program.

14 (2) During the period subsequent to the depletion of  
15 the remaining estimated primary reserves from the unit, from  
16 one hundred per cent (100%) of the owners' share of  
17 production.

18 (b) In the case of a field producing only gas, the  
19 recovery shall be from one hundred per cent (100%) of the  
20 owners' share of production.

21 (c) In the case of any enhanced recovery program that  
22 is initiated subsequent to a secondary recovery program, the  
23 recovery shall be from 75% of the owners' share of  
24 production.

25 (6) A provision for the supervision and conduct of the

1 unit operations, in respect to which each owner shall have a  
2 vote with a value corresponding to the percentage of the  
3 costs of unit operations chargeable against the interest of  
4 the owner.

5 (7) A provision whereby the unit operator, after  
6 having operated for a minimum period of two (2) years, can  
7 be challenged by any other owner in the unit, and the  
8 challenging owner may succeed to the unit operations upon a  
9 showing that: (a) he can operate more efficiently and  
10 economically than the present operator; (b) he is qualified  
11 and financially responsible; (c) a majority of the other  
12 owners, both in number and in percentage and exclusive of  
13 the challenged operator, approved the challenging owner  
14 becoming unit operator; and, (d) the challenged operator  
15 does not initiate the conditions of operations of the  
16 challenging owner within sixty (60) days of the challenged  
17 operator's receipt of the conditions of operations.

18 (8) The time when the unit operations shall commence,  
19 and the manner in which, and the circumstances under which,  
20 the unit operations shall terminate; and

21 (9) Such additional provisions that are found to be  
22 appropriate for carrying on unit operations and for the  
23 protection and adjustment of correlative rights."

-End-

SENATE BILL NO. 111

INTRODUCED BY MATHERS, TURNAGE

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unnecessary or excessive surface loss or destruction of oil or gas; and, (4) the inefficient storing of oil or gas. The production of oil or gas from any pool or by any well to the full extent that the well or pool can be produced in accordance with methods designed to result in maximum ultimate recovery, as determined by the board, is not waste within the meaning of this definition.

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 21 financing any owner who has not executed the proposed unit  
 22 operating agreement and who elects to be carried or  
 23 otherwise financed, allowing an interest charge of the then  
 24 current prime rate plus two per cent (2%) for the service.  
 25 Recovery of the money advanced, plus interest, shall be

1 limited to, and only shall be recoverable from, the owners'  
2 share of production. The recovery shall be as follows:

3 (a) (1) In the case of a field producing oil, or oil  
4 and gas, during the period of depletion of the remaining  
5 estimated primary reserves from the unit, only from the  
6 production that is in excess of the owners' average actual  
7 rate of production during the eighteen (18) months  
8 immediately preceding the effective date of the unit. For  
9 purposes of this subsection, the term "primary reserves"  
10 means the oil or gas which would be produced from the  
11 unitized pool or pools ~~or as~~ a result of the natural energy  
12 therein and without the introduction of ~~a secondary an~~  
13 enhanced recovery program.

14 (2) During the period subsequent to the depletion of  
15 the remaining estimated primary reserves from the unit, from  
16 one hundred per cent (100%) of the owners' share of  
17 production.

18 (b) In the case of a field producing only gas, the  
19 recovery shall be from one hundred per cent (100%) of the  
20 owners' share of production.

21 (c) In the case of any enhanced recovery program that  
22 is initiated subsequent to a secondary recovery program, the  
23 recovery shall be from 75% of the owners' share of  
24 production.

25 (6) A provision for the supervision and conduct of the

1 unit operations, in respect to which each owner shall have a  
2 vote with a value corresponding to the percentage of the  
3 costs of unit operations chargeable against the interest of  
4 the owner.

5 (7) A provision whereby the unit operator, after  
6 having operated for a minimum period of two (2) years, can  
7 be challenged by any other owner in the unit, and the  
8 challenging owner may succeed to the unit operations upon a  
9 showing that: (a) he can operate more efficiently and  
10 economically than the present operator; (b) he is qualified  
11 and financially responsible; (c) a majority of the other  
12 owners, both in number and in percentage and exclusive of  
13 the challenged operator, approved the challenging owner  
14 becoming unit operator; and, (d) the challenged operator  
15 does not initiate the conditions of operations of the  
16 challenging owner within sixty (60) days of the challenged  
17 operator's receipt of the conditions of operations.

18 (8) The time when the unit operations shall commence,  
19 and the manner in which, and the circumstances under which,  
20 the unit operations shall terminate; and

21 (9) Such additional provisions that are found to be  
22 appropriate for carrying on unit operations and for the  
23 protection and adjustment of correlative rights."

-End-

HOUSE OF REPRESENTATIVES

March 17, 1977

HOUSE COMMITTEE ON NATURAL RESOURCES AMENDMENTS TO SENATE BILL 111

1. Amend page 7, section 3, line 23.

Following: "owners'"

Insert: "increased"

2. Amend page 7, section 3, line 24.

Following: "production"

Insert: "from such subsequent program"

AS AMENDED CONCURRED IN

## 1 SENATE BILL NO. 111

2 INTRODUCED BY MATHERS, TURNAGE

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO DEFINE THE TERM  
5 "ENHANCED RECOVERY"; TO SUBSTITUTE THE TERM "ENHANCED  
6 RECOVERY" FOR THE TERMS "PRESSURE MAINTENANCE" AND  
7 "SECONDARY RECOVERY"; AND TO PROVIDE FOR RECOVERY OF COSTS  
8 OF AN ENHANCED RECOVERY PROGRAM INITIATED SUBSEQUENT TO A  
9 SECONDARY RECOVERY PROGRAM; AMENDING SECTIONS 60-126,  
10 60-131.1, AND 60-131.3, R.C.M. 1947."

11  
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 60-126, R.C.M. 1947, is amended to  
14 read as follows:

15 "60-126. Definitions. As used in this chapter, unless  
16 the context requires otherwise:

17 (1) "Waste" means: (1) physical waste, as that term is  
18 generally understood in the oil and gas industry; (2) the  
19 inefficient, excessive, or improper use of, or the  
20 unnecessary dissipation of reservoir energy; (3) the  
21 location, spacing, drilling, equipping, operating or  
22 producing of any oil or gas well or wells in a manner which  
23 causes, or tends to cause, reduction in the quantity of oil  
24 or gas ultimately recoverable from a pool under prudent and  
25 proper operations, or which causes or tends to cause

1 unnecessary or excessive surface loss or destruction of oil  
2 or gas; and, (4) the inefficient storing of oil or gas. The  
3 production of oil or gas from any pool or by any well to the  
4 full extent that the well or pool can be produced in  
5 accordance with methods designed to result in maximum  
6 ultimate recovery, as determined by the board, is not waste  
7 within the meaning of this definition.

8 (2) "Board" means the board of oil and gas  
9 conservation provided for in section 82A-1508.

10 (3) "Person" means any natural person, corporation,  
11 association, partnership, receiver, trustee, executor,  
12 administrator, guardian, fiduciary, or other representative  
13 of any kind, and includes any agency or instrumentality of  
14 the state or any governmental subdivision thereof.

15 (4) "Oil" means crude petroleum oil and other  
16 hydrocarbons regardless of gravity which are produced at the  
17 wellhead in liquid form by ordinary production methods, and  
18 which are not the result of condensation of gas before or  
19 after it leaves the reservoir.

20 (5) "Gas" means all natural gases and all other fluid  
21 hydrocarbons as produced at the wellhead and not defined as  
22 oil in subsection (4) of this section.

23 (6) "Pool" means an underground reservoir containing a  
24 common accumulation of oil or gas or both; each zone of a  
25 structure which is completely separated from any other zone

1 in the same structure is a pool, as that term is used in  
2 this chapter.

3 (7) "Field" means the general area underlaid by one  
4 {1} or more pools.

5 (8) "Owner" means the person who has the right to  
6 drill into and produce from a pool and to appropriate the  
7 oil or gas he produces therefrom either for himself or  
8 others or for himself and others, and the term includes all  
9 persons holding such authority by or through him.

10 Nothing herein contained shall be construed to conflict  
11 with subsection (4) of section 81-1702, granting the state  
12 board of land commissioners the authority to enter into  
13 pooling and unitization agreements for the production of oil  
14 or gas with others.

15 (9) "Producer" means the owner of a well or wells  
16 capable of producing oil or gas or both.

17 (10) "Department" means the department of natural  
18 resources and conservation provided for in Title 82A,  
19 chapter 15.

20 (11) "Enhanced recovery" means the increased recovery  
21 from a pool achieved by artificial means or by the  
22 application of energy extrinsic to the pool; such artificial  
23 means or application includes pressuring, cycling, pressure  
24 maintenance, or injection into the pool of any substance or  
25 form or energy as is contemplated in secondary recovery and

1 tertiary programs but does not include the injection in a  
2 well of a substance or form of energy for the sole purpose  
3 of aiding in the lifting of fluids in the well or  
4 stimulating of the reservoir at or near the well by  
5 mechanical, chemical, thermal, or explosive means."

6 Section 2. Section 60-131.1, R.C.M. 1947, is amended  
7 to read as follows:

8 "60-131.1. Operation of pool as unit -- board to hold  
9 hearing -- notice. (1) The board, upon the application of  
10 persons owning leasehold interests underlying sixty per cent  
11 (60%) of the surface within the delineated area, shall hold  
12 a hearing to consider the need for the operation as a unit  
13 of one (1) or more pools or parts thereof in a field, for  
14 ~~pressure-maintenance-or-secondary-recovery~~ enhanced recovery  
15 purposes as to oil or oil and gas, to increase ultimate  
16 recovery, or to prevent waste of gas from pools or portions  
17 of pools where gas only is produced.

18 (2) At least sixty (60) days prior to application, the  
19 applicant shall, by registered or certified mail, notify all  
20 known persons owning an interest in the oil and gas within  
21 the proposed unit area as disclosed by the records of the  
22 county or counties in which the proposed unit area is  
23 situated, at that person's last known address, of the  
24 applicant's intention to make the application. At the same  
25 time producers shall be furnished with a plan of unit



1 operations. Upon written request of an operator of a lease  
 2 which is in whole or in part within the confines of the  
 3 proposed delineated area, the applicant shall furnish the  
 4 operator with copies of any exhibits to be submitted to the  
 5 board at the time of hearing."

6 Section 3. Section 60-131.3, R.C.M. 1947, is amended  
 7 to read as follows:

8 "60-131.3. Terms and conditions of order --  
 9 requirements. The order shall be upon terms and conditions  
 10 that are just and reasonable and shall prescribe a plan for  
 11 unit operations that shall include:

12 (1) A description of the pool or pools or parts  
 13 thereof to be so operated, termed the unit area, but only so  
 14 much of a pool as has reasonably been defined and determined  
 15 by drilling operations to be productive of oil or gas may be  
 16 included within the unit area. If the unit is formed solely  
 17 for production of gas, a spacing unit on which is located a  
 18 well producing or capable of producing gas on March 1, 1971,  
 19 may not be included in the unit area without the written  
 20 consent of the majority in interest of the working interest  
 21 owners of the spacing unit and well.

22 (2) A statement of the nature and purpose of the plan  
 23 and operations contemplated, together with a copy of the  
 24 proposed unit agreement and unit operating agreement.

25 (3) A plan for allocating to each tract in the unit

1 area its fair share of the oil and gas produced from the  
 2 unit area and not required or consumed in the conduct of the  
 3 operation of the unit area or unavoidably lost. A plan may  
 4 not be approved by the board until it has considered the  
 5 relative value that the share of production bears to the  
 6 relative value of all of the separately owned tracts in the  
 7 unit area, exclusive of physical equipment utilized in unit  
 8 operations. In considering this relative value, the board  
 9 shall weigh the economic value of the gas to all persons  
 10 affected as compared to the economic value of the oil to all  
 11 persons affected.

12 (4) A provision for the credits and charges to be made  
 13 in the adjustment among the owners in the unit area for  
 14 their respective investments in wells, tanks, pumps,  
 15 machinery, materials, and equipment contributed to the unit  
 16 operations.

17 (5) A provision providing how the costs of unit  
 18 operations, including overhead and capital investments,  
 19 shall be determined and charged to the separately owned  
 20 tracts, including a provision for carrying or otherwise  
 21 financing any owner who has not executed the proposed unit  
 22 operating agreement and who elects to be carried or  
 23 otherwise financed, allowing an interest charge of the then  
 24 current prime rate plus two per cent (2%) for the service.  
 25 Recovery of the money advanced, plus interest, shall be

1 limited to, and only shall be recoverable from, the owners'  
2 share of production. The recovery shall be as follows:

3 (a) (1) In the case of a field producing oil, or oil  
4 and gas, during the period of depletion of the remaining  
5 estimated primary reserves from the unit, only from the  
6 production that is in excess of the owners' average actual  
7 rate of production during the eighteen (18) months  
8 immediately preceding the effective date of the unit. For  
9 purposes of this subsection, the term "primary reserves"  
10 means the oil or gas which would be produced from the  
11 unitized pool or pools or as a result of the natural energy  
12 therein and without the introduction of a secondary ~~an~~  
13 ~~enhanced~~ recovery program.

14 (2) During the period subsequent to the depletion of  
15 the remaining estimated primary reserves from the unit, from  
16 one hundred per cent (100%) of the owners' share of  
17 production.

18 (b) In the case of a field producing only gas, the  
19 recovery shall be from one hundred per cent (100%) of the  
20 owners' share of production.

21 ~~(c) In the case of any enhanced recovery program that~~  
22 ~~is initiated subsequent to a secondary recovery program, the~~  
23 ~~recovery shall be from 75% of the owners' INCREASED share~~  
24 ~~of production FROM SUCH SUBSEQUENT PROGRAM.~~

25 (6) A provision for the supervision and conduct of the

1 unit operations, in respect to which each owner shall have a  
2 vote with a value corresponding to the percentage of the  
3 costs of unit operations chargeable against the interest of  
4 the owner.

5 (7) A provision whereby the unit operator, after  
6 having operated for a minimum period of two (2) years, can  
7 be challenged by any other owner in the unit, and the  
8 challenging owner may succeed to the unit operations upon a  
9 showing that: (a) he can operate more efficiently and  
10 economically than the present operator; (b) he is qualified  
11 and financially responsible; (c) a majority of the other  
12 owners, both in number and in percentage and exclusive of  
13 the challenged operator, approved the challenging owner  
14 becoming unit operator; and, (d) the challenged operator  
15 does not initiate the conditions of operations of the  
16 challenging owner within sixty (60) days of the challenged  
17 operator's receipt of the conditions of operations.

18 (8) The time when the unit operations shall commence,  
19 and the manner in which, and the circumstances under which,  
20 the unit operations shall terminate; and

21 (9) Such additional provisions that are found to be  
22 appropriate for carrying on unit operations and for the  
23 protection and adjustment of correlative rights."

-End-