

# House Bill 3188

Sponsored by Representatives HUNT, ROBLAN (at the request of State Department of Geology and Mineral Industries)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Modifies and adds definitions relating to conservation of gas and oil. Clarifies agency authority. Establishes fees.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to State Department of Geology and Mineral Industries; creating new provisions; amending  
3 ORS 520.005, 520.025, 520.035, 520.045, 520.055, 520.095, 520.125, 520.145, 520.155, 520.165, 520.175,  
4 520.210, 520.260, 520.300, 520.310, 520.330 and 520.991; repealing ORS 520.015, 520.105, 520.115  
5 and 520.135; and declaring an emergency.

6 **Be It Enacted by the People of the State of Oregon:**

7 **SECTION 1.** ORS 520.005 is amended to read:

8 520.005. As used in this chapter, unless the context requires otherwise:

9 [(1) "And" includes "or" and "or" includes "and."]

10 [(2) "Board" means the governing board of the State Department of Geology and Mineral Indus-  
11 tries.]

12 [(3) (1) "Condensate" means liquid hydrocarbons that were originally in the gaseous phase in  
13 the reservoir.

14 [(2) "Exploratory well" means a well drilled in search of a new, undiscovered pool or a  
15 well drilled with the intent of significantly extending the limits of a developed pool.

16 [(4) (3) "Field" means the general area underlaid by one or more pools.

17 [(5) (4) "Gas" means all natural gas and all other fluid hydrocarbons not defined as oil in sub-  
18 section [(6) (5) of this section, including condensate originally in the gaseous phase in the reservoir.

19 [(6) (5) "Oil" means crude petroleum oil and all other hydrocarbons, regardless of gravity,  
20 [which] **that** are produced in liquid form by ordinary production methods, but does not include liquid  
21 hydrocarbons that were originally in a gaseous phase in the reservoir.

22 [(7) (6) "Person" means any natural person, partnership, corporation, association, receiver,  
23 trustee, guardian, fiduciary, executor, administrator, representative of any kind, or the State of  
24 Oregon and any [of its political subdivisions, boards, agencies or commissions] **public body as defined**  
25 **in ORS 174.109.**

26 [(8) (7) "Pool" means an underground reservoir containing a common accumulation of oil and  
27 natural gas. A zone of a structure [which] **that** is completely separated from any other zone in the  
28 same structure is a pool.

29 [(9) (8) "Owner" means a person who has the right to drill into and to produce from any pool  
30 and to appropriate the oil or gas produced therefrom either for others, for the person or for the

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [italic and bracketed] is existing law to be omitted. New sections are in **boldfaced** type.

1 person and others.

2 *[(10) "Producer" means the owner of one or more wells capable of producing oil or gas or both.]*

3 *[(11) (9) "Protect correlative rights" means that the action or regulation by the board affords*  
 4 *a reasonable opportunity to each person entitled thereto to recover or receive the oil or gas in the*  
 5 *tract or tracts of the person or the equivalent thereof, without being required to drill unnecessary*  
 6 *wells or to incur other unnecessary expense to recover or receive such oil or gas or its equivalent.*

7 **(10) "Seismic program" means the collection of seismic exploration data through a con-**  
 8 **tinuous field operation.**

9 **(11) "Sidetrack" means to reenter a well from the well's surface location with drilling**  
 10 **equipment for the purpose of deviating from the existing well bore to achieve production**  
 11 **from an alternate zone or bottom hole location, or to remedy an engineering problem en-**  
 12 **countered in the existing well bore.**

13 (12) "Unit area" means one or more pools or parts thereof under unit operation pursuant to ORS  
 14 520.260 to 520.330 and 520.230 (2).

15 *[(13) "Well" means a well drilled in search of oil or gas, but shall not include core test wells,*  
 16 *stratigraphic test wells, seismic test wells or wells drilled for information purposes only as distin-*  
 17 *guished from wells drilled for the purpose of producing oil or gas if found.]*

18 *[(14) (13) "Underground reservoir" means any subsurface sand, strata, formation, aquifer, cav-*  
 19 *ern or void whether natural or artificially created, suitable for the injection and storage of natural*  
 20 *gas therein and the withdrawal of natural gas therefrom, but excluding a pool.*

21 *[(15) (14) "Underground storage" means the process of injecting and storing natural gas within*  
 22 *and withdrawing natural gas from an underground reservoir.*

23 **(15) "Waste of oil or gas" means:**

24 **(a) The inefficient, excessive or improper use or dissipation of reservoir energy of any**  
 25 **pool, or the locating, spacing, drilling, equipping, operating or producing of any oil well or**  
 26 **gas well in a manner that results or may result in reducing the quantity of oil or gas ul-**  
 27 **timately recoverable from any pool; or**

28 **(b) The inefficient storing of oil and the locating, spacing, drilling, equipping, operating**  
 29 **or producing of oil wells or gas wells in a manner that causes or may cause unnecessary or**  
 30 **excessive surface loss or destruction of oil or gas.**

31 **(16)(a) "Well" means a well drilled for the purpose of producing or storing oil or gas or**  
 32 **other gaseous substances, reservoir pressure maintenance, disposal of produced fluids, and**  
 33 **injection of water as part of a water flood.**

34 **(b) "Well" does not include core test wells, stratigraphic test wells or wells drilled for**  
 35 **information purposes only.**

36 **SECTION 2. Section 3 of this 2007 Act is added to and made a part of ORS chapter 520.**

37 **SECTION 3. (1) The following fees are established under this chapter:**

38 **(a) The application fee for a permit to drill a new well, \$2,000.**

39 **(b) The fee for a request to extend the period for completion of drilling, \$500.**

40 **(c) The fee to modify operations at a well, \$1,500.**

41 **(d) The fee to sidetrack a well, \$500.**

42 **(e) The fee to plug and abandon a well, \$1,000.**

43 **(f) The annual renewal fee for operation and maintenance of a well, \$1,500 the first re-**  
 44 **newal year and \$500 for each subsequent year.**

45 **(g) The fee for approval of operations involving an exploratory well, \$1,000 per well.**

1       **(h) The fee for approval of a seismic program test well or stratigraphic test well, \$1,000.**

2       **(2) The governing board of the State Department of Geology and Mineral Industries by**  
 3 **rule may specify a schedule of fees for costs incurred by the department for activities related**  
 4 **to field designation for purposes of this section.**

5       **(3) All moneys received by the State Department of Geology and Mineral Industries under**  
 6 **this section shall be paid into the State Treasury and deposited in the General Fund to the**  
 7 **credit of the Geology and Mineral Industries Account established in ORS 516.070.**

8       **SECTION 4.** ORS 520.025 is amended to read:

9       520.025. (1) *[No person proposing to drill any well for oil or gas or proposing to drill or use any*  
 10 *well for underground storage of gas in an underground reservoir shall commence the drilling or use*  
 11 *until the person has applied to the State Geologist upon a form prescribed by the State Geologist for*  
 12 *a permit to operate the well, paid to the governing board of the State Department of Geology and*  
 13 *Mineral Industries a nonrefundable fee set by the board not to exceed \$250 for each such application,*  
 14 *posted]* **A person may not drill or use a well without first obtaining a permit from the State**  
 15 **Department of Geology and Mineral Industries and posting** any bond that may be required  
 16 pursuant to ORS 520.095 (1). *[and obtained the permit to drill the well pursuant to subsection (5) of*  
 17 *this section. A permit shall remain valid for]* **Drilling must be completed within** one year from the  
 18 date *[it]* **the permit is issued unless an extension is granted under subsection (2) of this sec-**  
 19 **tion. When drilling has been completed, the well must be maintained under a permit until it**  
 20 **is properly plugged and abandoned.**

21       (2) An unused permit may be extended by the *[State Geologist]* **department** for a reasonable  
 22 period *[not to exceed one additional year beyond the initial one-year period,]* upon receipt of a written  
 23 request from the permittee before the expiration date of the permit. The request shall be accompa-  
 24 nied by a nonrefundable fee *[set by the board not to exceed \$250]* **established under section 3 of**  
 25 **this 2007 Act.**

26       (3) *[The]* **A permittee maintaining or operating a well for the production or storage of oil**  
 27 **or gas** shall provide *[an annual nonrefundable fee set by the board not to exceed \$500 on or before the*  
 28 *anniversary of the issuance date of each active permit]* **the department with an annual report on**  
 29 **a form provided by the department. Subject to the determinations in subsection (4) of this**  
 30 **section, a permittee shall renew the permit for a well by paying the fee established under**  
 31 **section 3 of this 2007 Act.**

32       *[(4) The State Geologist shall require that the form indicate:]*

33       *[(a) The location of the well.]*

34       *[(b) The name and address of the mineral owner, surface owner, operator and any other person*  
 35 *responsible for the conduct of the drilling operations.]*

36       *[(c) The elevation of the well above sea level.]*

37       *[(d) Such information as is necessary to determine whether the method of drilling and equipment*  
 38 *to be used in drilling the well comply with applicable laws and rules.]*

39       *[(e) Such other relevant information as the State Geologist deems reasonably necessary to effectuate*  
 40 *the purpose of this chapter.]*

41       *[(5)(a)]* **(4)(a)** If upon receipt of the application the *[State Geologist]* **department** determines that  
 42 the method and equipment to be used by the applicant in drilling or *[using]* **operating** the well  
 43 comply with applicable laws and rules, the *[State Geologist]* **department** shall issue the permit.

44       (b) The *[State Geologist]* **department** may refuse to issue, **refuse to renew** *[a permit]* or revoke  
 45 a permit issued pursuant to this *[subsection]* **section** if the *[State Geologist]* **department** determines

1 that methods or equipment to be used or being used in drilling or *[using]* **operating** the well do not  
 2 comply with applicable laws or rules, **or that the well will not be operated and maintained or**  
 3 **is not being operated or maintained in compliance with the permit and applicable laws or**  
 4 **rules.**

5 *[(6) All moneys paid to the department under this section shall be deposited with the State Treas-*  
 6 *urer and are continuously appropriated to the department for the administration of ORS 520.025,*  
 7 *520.095, 520.145 and 520.210.]*

8 **SECTION 5.** Section 6 of this 2007 Act is added to and made a part of ORS chapter 520.

9 **SECTION 6.** (1) A person may not drill an exploratory well, including a core test well,  
 10 stratigraphic test well or seismic program test well, without first applying for approval from  
 11 the State Department of Geology and Mineral Industries and paying the fee established in  
 12 section 3 of this 2007 Act. The application must be submitted on a form provided by the de-  
 13 partment and must include all information requested by the department.

14 (2) A person issued an approval under this section shall comply with all terms of the  
 15 department's approval and any other applicable law or rule. The department may not require  
 16 the person receiving approval under this section to provide information from seismic pro-  
 17 grams. The department may require the submittal of information from stratigraphic test  
 18 wells or other test wells, but the information is a trade secret under ORS 192.501 and is not  
 19 subject to public disclosure under ORS 192.410 to 192.505.

20 **SECTION 7.** ORS 520.035 is amended to read:

21 520.035. The waste of oil *[and]* **or** gas, as defined in ORS *[520.015]* **520.005**, *[hereby]* is prohibited.

22 **SECTION 8.** ORS 520.045 is amended to read:

23 520.045. The *[governing board of the]* State Department of Geology and Mineral Industries *[shall*  
 24 *make such inquiries as it may think proper to]* **may** determine whether *[or not]* waste **of oil or gas**  
 25 over which it has jurisdiction exists or is imminent. In the exercise of such power the *[board]* **de-**  
 26 **partment** may:

- 27 (1) Collect data.
- 28 (2) Make investigations and inspections.
- 29 (3) Examine properties, leases, papers, books and records, including drilling records and logs.
- 30 (4) Examine, check, test and gauge oil and gas wells and tanks.
- 31 (5) Hold hearings.
- 32 (6) Provide for the keeping of records and the making of reports.
- 33 (7) Take such action as may be reasonably necessary to enforce this chapter.

34 **SECTION 9.** ORS 520.055 is amended to read:

35 520.055. (1) The governing board of the State Department of Geology and Mineral Industries has  
 36 jurisdiction and authority over all persons and property, **including tidal submerged and**  
 37 **submersible lands of this state under ORS 274.705 to 274.860**, necessary to enforce effectively  
 38 this chapter and all other laws relating to the conservation of oil and gas.

39 (2) In addition to and not in lieu of any other powers granted under this chapter, the *[State*  
 40 *Department of Geology and Mineral Industries and its governing board may in compliance with ORS*  
 41 *520.105 promulgate reasonable]* **board may adopt** rules*[, regulations]* and **issue** orders necessary to  
 42 regulate geological, geophysical and seismic surveys on, and operations to remove *[oil, gas and]*  
 43 sulfur from, the tidal submerged and submersible lands of this state under ORS 274.705 to 274.860.

44 **SECTION 10.** ORS 520.095 is amended to read:

45 520.095. The governing board of the State Department of Geology and Mineral Industries may

1 *[make, in compliance with ORS chapter 183, such reasonable]* **adopt** rules and **issue** orders as may  
 2 be necessary in the proper administration and enforcement of this chapter, including **but not lim-**  
 3 **ited to** rules and orders for the following purposes:

4 (1) To require the drilling, casing and plugging of wells to be done in such a manner as to pre-  
 5 vent the escape of oil or gas out of one stratum to another; to prevent the intrusion of water into  
 6 oil or gas strata; to prevent the pollution of fresh water supplies by oil, gas or salt water; and to  
 7 require reasonable bond conditioned upon compliance with applicable laws and rules and upon the  
 8 performance of the duty to plug each dry or abandoned well.

9 (2) To compel the filing of logs **from wells**, including electrical logs, if any are taken, drilling  
 10 records, typical drill cuttings or cores, if cores are taken, *[in]* **with** the office of the State Geologist  
 11 *[within 20 days from the date of completion or abandonment of any well. For a period of two years*  
 12 *from the date of abandonment or completion, such logs or other records or drill cuttings or cores shall*  
 13 *be kept confidential and shall not be accessible to public inspection. However, the two-year*  
 14 *confidentiality period may be extended for such time as the State Geologist determines is necessary for*  
 15 *the reasonable protection of the economic interests of the person who has engaged in the drilling ac-*  
 16 *tivity].*

17 (3) To prevent wells from being drilled, operated and produced in such a manner as to cause  
 18 injury to neighboring leases or property.

19 (4) To prevent the drowning by water of any stratum or part thereof capable of producing oil  
 20 or gas in paying quantities, and to prevent the premature and irregular encroachment of water  
 21 *[which]* **that** reduces, or tends to reduce, the total ultimate recovery of oil or gas from any pool.

22 (5) To require the operation of wells with efficient gas-oil ratios, and to fix ratios.

23 (6) To prevent blowouts, caving and seepage in the same sense that conditions indicated by such  
 24 terms are generally understood in the oil and gas business.

25 (7) To prevent fires.

26 (8) To identify the ownership of all oil and gas wells, producing leases, tanks, plants, structures  
 27 and all storage equipment and facilities.

28 (9) To regulate the [*“shooting”*] **stimulation** and chemical treatment of wells.

29 (10) To regulate secondary recovery methods, including the introduction of gas, air, water or  
 30 other substance into producing formations.

31 *[(11) To regulate the spacing of wells.]*

32 *[(12)]* (11) To require the filing currently of information as to the volume of oil and gas, or either  
 33 of them, produced and saved from the respective properties.

34 *[(13)]* (12) To require *[a permit issued by the State Geologist for the drilling of stratigraphic test*  
 35 *wells, core test wells, seismic test wells or other wells drilled only for information purposes, giving the*  
 36 *location thereof, and to require the filing with the State Geologist of a plugging report within 90 days*  
 37 *after completion of such well. A reasonable fee, not to exceed \$100, set by rule may be required in*  
 38 *connection with the filing of an application for a permit. The State Geologist may require reasonable*  
 39 *bond or other financial assurance acceptable to the State Geologist and conditioned upon compliance*  
 40 *with applicable laws and rules and upon the performance of the duty to reasonably protect]* **the pro-**  
 41 **tection of** ground water. *[The board shall consult with the Water Resources Commission when de-*  
 42 *veloping rules for drilling and abandonment of stratigraphic test wells, core test wells, seismic test*  
 43 *wells or other wells as described in this subsection. Wells included in this subsection may be converted*  
 44 *to water wells, provided the conversion conforms with ORS 537.747 to 537.780.]*

45 *[(14)]* (13) To require the disposal of salt water and oil field waste so as not to damage land or

1 property unnecessarily.

2 ~~[(15)]~~ **(14)** To require that wells drilled for oil or gas be logged adequately enough to identify  
3 the geologic formations penetrated by the wells.

4 ~~[(16)]~~ **(15)** To regulate the underground storage of natural gas and the drilling and operation of  
5 any wells required therefor.

6 ~~[(17)]~~ **(16)** To require the **mitigation of off-site impacts of drilling and to require** reclamation  
7 **for subsequent beneficial use of drill sites and adjacent areas adversely affected by drilling**  
8 **or use of the well** and the filling of sumps [*for beneficial subsequent use*].

9 **(17)** To require **performance bonds or other forms of financial security for compliance**  
10 **with the requirements of this chapter and rules adopted or orders issued under this chapter.**

11 **(18)** To regulate **exploratory wells, including stratigraphic wells and seismic program test**  
12 **wells, subject to the limitations in section 6 of this 2007 Act.**

13 **(19)** To regulate **geological, geophysical and seismic surveys on, and operations to remove**  
14 **oil, gas and sulfur from, the tidal submerged and submersible lands of this state under ORS**  
15 **274.705 to 274.860.**

16 **SECTION 11.** Section 12 of this 2007 Act is added to and made a part of ORS chapter 520.

17 **SECTION 12.** (1) For a period of two years from the date of abandonment or completion  
18 of a well, all well logs and records and well reports submitted to the State Department of  
19 **Geology and Mineral Industries are trade secrets under ORS 192.501 and are not subject to**  
20 **public disclosure under ORS 192.410 to 192.505, and all drill cuttings and cores may not be**  
21 **disclosed to the public unless such protection is waived by the permittee or disclosure is re-**  
22 **quired by a court order.**

23 **(2)** The department may extend the period under subsection (1) of this section up to an  
24 **additional five years on the request of the permittee or the permittee's successor in interest.**

25 **SECTION 13.** ORS 520.125 is amended to read:

26 520.125. (1) The governing board of the State Department of Geology and Mineral Industries may  
27 summon witnesses, administer oaths and require the production of records, books and documents for  
28 examination at any hearing or investigation conducted before the board. [*No person shall be excused*  
29 *from attending and testifying or from producing books, papers and records before the board or a court*  
30 *or from obedience to the subpoena of the board or a court on the grounds that such testimony or evi-*  
31 *dence required of the person may tend to incriminate the person or subject the person to any penalty*  
32 *or forfeiture. Nothing in this section, however, shall be construed as requiring any person to produce*  
33 *any books, papers or records or to testify in response to any inquiry not pertinent to some question*  
34 *lawfully before such board or court for determination. No natural person shall be subjected to criminal*  
35 *prosecution or to any penalty or forfeiture for or on account of any transaction, matter or thing con-*  
36 *cerning which, in spite of the objection of the person, the person may be required to testify or produce*  
37 *evidence before the board or a court. However, no person so testifying shall be exempted from prose-*  
38 *cution and punishment for perjury in so testifying.]*

39 (2) In case of failure or refusal on the part of any person to comply with the subpoena issued  
40 by the board or in the case of the refusal of any witness to testify as to any matter regarding which  
41 the witness may lawfully be interrogated it shall be the duty of the circuit court of any county or  
42 any judge thereof, upon application of the board, to issue an order to show cause why such person  
43 should not be held for contempt as in the case of disobedience of the requirements of a subpoena  
44 issued from such court or a refusal to testify therein.

45 (3) The board [*or any party*] may, in any matter before the board, cause the depositions of wit-

1 nesses residing within or without the state to be taken in the manner prescribed by law for like  
2 depositions in civil suits in the circuit courts of this state.

3 **SECTION 14.** ORS 520.145 is amended to read:

4 520.145. Any person adversely affected by any rule[, *regulation or an order entered*] **adopted** by  
5 the governing board of the State Department of Geology and Mineral Industries **under this chapter**  
6 **or any order issued by the board or the State Department of Geology and Mineral Industries**  
7 **under this chapter** may obtain judicial review thereof pursuant to ORS chapter 183.

8 **SECTION 15.** ORS 520.155 is amended to read:

9 520.155. [*No person shall*] **A person may not**, for the purpose of evading the provisions of this  
10 chapter or any rule[, *regulation or order of the governing board of the State Department of Geology*  
11 *and Mineral Industries*] **adopted or order issued under this chapter**, make or cause to be made  
12 any false entry or statement in a report required by this chapter or by any rule[, *regulation*] or order  
13 [*of the board or*] **under this chapter**, make or cause to be made any false entry in any record, ac-  
14 count or other writing required by this chapter or by any rule[, *regulation*] or order [*of the board*  
15 *or*] **under this chapter**, omit or cause to be omitted from any such record, account or writing[,], full,  
16 true and correct entries as required by this chapter or any rule[, *regulation or order of the board*]  
17 **or order under this chapter**, or remove from this state[,], or destroy, mutilate, alter or falsify any  
18 such record, account or writing.

19 **SECTION 16.** ORS 520.165 is amended to read:

20 520.165. [*No person shall*] **A person may not** knowingly aid or abet any other person in the  
21 violation of any provision of this chapter or [*of*] any rule[, *regulation*] **adopted** or order [*of the gov-*  
22 *erning board of the State Department of Geology and Mineral Industries*] **issued under this**  
23 **chapter**.

24 **SECTION 17.** ORS 520.175 is amended to read:

25 520.175. (1) Whenever it appears that any person is violating or threatening to violate any pro-  
26 vision of this chapter or any rule[, *regulation*] **adopted** or order [*of*] **issued under this chapter**, the  
27 governing board of the State Department of Geology and Mineral Industries[, *the board shall*] **may**  
28 bring an action against such person in the circuit court of any county where the violation occurs  
29 or is threatened, to restrain such person from continuing such violation. In any such action, the  
30 court shall have jurisdiction to grant to the board, without bond or other undertaking, such tempo-  
31 rary restraining orders or final prohibitory and mandatory injunctions as the facts may warrant,  
32 including any such orders restraining the movement or disposition of oil or gas.

33 (2) If the board fails to bring an action to enjoin a violation or threatened violation of any  
34 provision of this chapter or [*of*] any rule[, *regulation*] **adopted** or order [*of the board*] **issued under**  
35 **this chapter**, within [15] **60** days after receipt of a written request to do so by any person who is  
36 or will be adversely affected by such violation, then the person making such request may bring an  
37 action to restrain such violation or threatened violation in any court in which the board might have  
38 brought such action. The board shall be made a party defendant in such action in addition to the  
39 person or persons bringing the action and the action shall proceed and injunctive relief may be  
40 granted without bond in the same manner as if the action had been brought by the board.

41 **SECTION 18.** ORS 520.210 is amended to read:

42 520.210. (1) When necessary to prevent waste[,], **of oil or gas, to** avoid the drilling of unneces-  
43 sary wells or **to** protect correlative rights, the governing board of the State Department of Geology  
44 and Mineral Industries shall establish spacing units for a pool **or field**. Spacing units when estab-  
45 lished shall be of uniform size and shape for the entire pool **or field**, except that when found to be

1 necessary for any of the above purposes the board is authorized to divide any pool **or field** into  
 2 zones and establish spacing units for each zone, which units may differ in size and shape from those  
 3 established in any other zone. **The board may not establish spacing units for injection wells,**  
 4 **withdrawal wells or monitoring wells drilled for the purpose of storing gas or other gaseous**  
 5 **substances, or wells drilled for the underground disposal of fluids.**

6 (2) The size and shape of spacing units shall be such as will result in efficient and economical  
 7 development of the pool **or field** as a whole and the size thereof [*shall*] **may** not be smaller than the  
 8 maximum area that can be efficiently drained by one well.

9 (3) An order establishing spacing units for a pool **or field** shall specify the size and shape of  
 10 each unit and the location of [*the*] **each** permitted well thereon in accordance with a reasonably  
 11 uniform spacing plan. If an owner finds that a well drilled at the prescribed location would not  
 12 produce in paying quantities or that surface conditions would substantially add to the burden or  
 13 hazard of drilling such well, then the owner may apply to the [*State Geologist*] **department** for  
 14 permission to drill a well at a location other than that prescribed by such spacing order. The [*State*  
 15 *Geologist*] **department** shall notify adjacent mineral owners of such application and any such owner  
 16 may request a hearing by the board to consider the application. If no request for a hearing is made  
 17 in writing within 20 days, the [*State Geologist*] **department** may issue an order approving the drill-  
 18 ing site. Any order by the board or [*State Geologist*] **department** under this section shall include in  
 19 the order suitable provisions to prevent the production from the spacing unit of more than its just  
 20 and equitable share of the oil and gas in the pool.

21 (4) An order establishing **spacing** units for a pool **or field** shall cover all lands determined or  
 22 believed to be underlaid by such pool **or field** and may be modified by the board from time to time  
 23 to include additional areas determined to be underlaid by such pool **or field**. When [*found necessary*  
 24 *for the prevention of waste or*] **necessary to prevent waste of oil or gas**, to protect correlative  
 25 rights **or to provide for more efficient drainage**, an order establishing spacing units in a pool **or**  
 26 **field** may be modified by the board to increase the size of spacing units **for future wells** in a pool  
 27 **or field** or any zone thereof or to permit the drilling of additional wells on a reasonably uniform  
 28 plan in such pool, **field** or zone.

29 **SECTION 19.** ORS 520.260 is amended to read:

30 520.260. (1) The **governing** board [*as defined in ORS 520.005,*] **of the State Department of**  
 31 **Geology and Mineral Industries** upon its own motion may, and upon the application of any inter-  
 32 ested person shall, hold a hearing to consider the need for the operation as a unit of one or more  
 33 pools or parts thereof in a field.

34 (2) The board shall make an order providing for the unit operation of a pool or part thereof if  
 35 it finds that:

36 (a) Unit operation is reasonably necessary to effectively carry on pressure control, pressure  
 37 maintenance or repressuring operations, cycling operations, water flooding operations, injection op-  
 38 erations, or any combination thereof, or any other method of recovery designed to substantially in-  
 39 crease the ultimate recovery of oil from the pool or pools; and

40 (b) The value of the estimated additional recovery of oil or gas exceeds the estimated additional  
 41 cost incident to conducting unit operations.

42 **SECTION 20.** ORS 520.300 is amended to read:

43 520.300. An order providing for unit operations may be amended by an order made by the [*board,*  
 44 *as defined in ORS 520.005,*] **governing board of the State Department of Geology and Mineral**  
 45 **Industries** in the same manner and subject to the same conditions as an original order providing



1 for unit operations. However:

2 (1) If the amendment affects only the rights and interests of the owners, the approval of the  
3 amendment by the royalty owners is not required.

4 (2) The order of amendment may not change the percentage for the allocation of:

5 (a) Oil and gas as established for any separately owned tract by the original order, except with  
6 the consent of all persons owning oil and gas rights in the tract; or

7 (b) Cost as established for any separately owned tract by the original order, except with the  
8 consent of all owners in the tract.

9 **SECTION 21.** ORS 520.310 is amended to read:

10 520.310. (1) The [*board, as defined in ORS 520.005,*] **governing board of the State Department**  
11 **of Geology and Mineral Industries** by order may provide for the unit operation of a pool or pools  
12 or parts thereof that embrace a unit area established by a previous order of the board. The order,  
13 in providing for the allocation of unit production, shall first treat as a single tract the unit area  
14 previously established, and the portion of the unit production so allocated thereto shall then be al-  
15 located among the separately owned tracts included in the previously established unit area in the  
16 same proportions as those specified in the previous order.

17 (2) An order may provide for unit operations on less than the whole of a pool where the unit  
18 area is of such size and shape as may reasonably be required for that purpose, and the conduct  
19 thereof will have no adverse effect upon other portions of the pool.

20 **SECTION 22.** ORS 520.330 is amended to read:

21 520.330. All operations, including but not limited to the commencement, drilling or operation of  
22 a well, upon any portion of the unit area, are considered for all purposes the conduct of such op-  
23 erations upon each separately owned tract in the unit area by the several owners thereof. The  
24 portion of the unit production allocated to a separately owned tract in a unit area, when produced,  
25 is considered for all purposes to have been actually produced from that tract by a well drilled  
26 thereon. Operations conducted pursuant to an order of the [*board, as defined in ORS 520.005,*] **gov-**  
27 **erning board of the State Department of Geology and Mineral Industries** providing for unit  
28 operations constitute a fulfillment of all the express or implied obligations of each lease or contract  
29 covering lands in the unit area to the extent that compliance with such obligations cannot be had  
30 because of the order of the board.

31 **SECTION 23.** ORS 520.991 is amended to read:

32 520.991. Subject to ORS 153.022, violation of any provision of this chapter [*or any rule, regulation*  
33 *or order of*], **any rule adopted by the governing board of the State Department of Geology and**  
34 **Mineral Industries under this chapter or any order issued by the board or the State Depart-**  
35 **ment of Geology and Mineral Industries under this chapter** is punishable, upon conviction, by  
36 a fine not exceeding \$2,500 or imprisonment in the county jail for a term not exceeding six months,  
37 or both.

38 **SECTION 24.** ORS 520.015, 520.105, 520.115 and 520.135 are repealed.

39 **SECTION 25.** This 2007 Act being necessary for the immediate preservation of the public  
40 peace, health and safety, an emergency is declared to exist, and this 2007 Act takes effect  
41 on its passage.