

353.652 Unit operation of pool -- Procedure.

- (1) Upon the application of any operator in a deep well pool productive of oil or gas, or both, and other minerals which may be associated and produced therewith and after notice given by the commission to all persons reasonably known to own an interest in the oil or gas in the pool, and after a hearing conducted in accordance with KRS Chapter 13B, the commission may enter a final order requiring the unit operation of a pool or of any portion or combinations thereof within a field. The unit operation shall be in connection with a program designed to avoid the drilling of unnecessary wells, or otherwise to prevent waste, or to increase the ultimate recovery of the unitized minerals by additional recovery methods. The final order shall provide for the unitization of separately-owned tracts and interests within the pool or pools, but only after finding that:
 - (a) The order is reasonably necessary for the prevention of waste;
 - (b) The proposed plan of unitized operation will increase the ultimate recovery of oil or gas, or both, from the pool and will be economically feasible;
 - (c) The production of oil or gas, or both, from the unitized pool can be allocated in a manner to insure the recovery by all owners of their just and equitable share of the production; and
 - (d) A contract incorporating the unitization agreement has been signed or in writing ratified or approved by the owners of at least seventy-five percent (75%) in interest as costs are shared under the terms of the order and by seventy-five percent (75%) in interest as production is to be allocated of the royalty in the unit area, and a contract incorporating the required arrangements for operations has been signed or in writing ratified or approved by the owners of at least seventy-five percent (75%) in interest as costs are shared, and the commission has made a finding to that effect either in the final order or a supplemental order.
- (2) The final order requiring the unit operation shall designate one (1) operator as unit operator and shall also make provision for the proportionate allocation to all operators of the costs and expenses of the unit operation, including a reasonable charge for supervision, which allocation shall be in the proportion that the separately-owned tracts share in the production from the unit. In the absence of an agreement entered into by the operators and filed with the commission providing for sharing the costs of capital investments in wells and physical equipment, and intangible drilling costs, the commission shall provide by order for the sharing of the costs in the same proportion as the costs and expenses of the unit operation, but any operator who has not consented to the unitization shall not be required to contribute to the costs or expenses of the unit operation, or to the cost of capital investment in wells and physical equipment, and intangible drilling costs, except out of the proceeds from the sale of the production accruing to the interest of the operator exclusive of any royalty or overriding royalty interest.
- (3) The commission, after notice and hearing as provided above may from time to time by entry of a new or amending final order enlarge the unit area by approving agreements adding to the area a pool or any portion or combinations thereof not

previously included. Any new or amended final order shall not become effective unless and until:

- (a) All of the terms and provisions of the unitization agreement relating to the extension or enlargement of the unit area or to the addition of pools or portions or combinations thereof to unit operations have been fulfilled and satisfied and evidence thereof has been submitted to the commission; and
 - (b) The extension or addition effected by the order has been agreed to in writing by the owners of at least seventy-five percent (75%) in interest as costs are shared in the pool or pools or portions or combinations thereof to be added to unit operations by the order and by seventy-five percent (75%) in interest as production is to be allocated of the royalty owners in the pool, pools, portions, or combinations and evidence thereof has been submitted to the commission.
- (4) Any agreement, in providing for allocation of production from the unit area, shall first allocate to each pool or added portion a portion of the total production of oil and gas, or both, from all pools affected within the area, as enlarged, the allocation to be in proportion to the contribution which added pool or portions or extensions thereof are expected to make, during the remaining course of unit operations, to the total production of oil or gas, or both, of the unit as enlarged. The remaining portion of unit production shall be allocated among the separately-owned tracts within the previously established unit area in the same proportions as those specified prior to the enlargement.

Effective: July 15, 1996

History: Amended 1996 Ky. Acts ch. 318, sec. 344, effective July 15, 1996. -- Amended 1990 Ky. Acts ch. 11, sec. 1, effective July 13, 1990. -- Created 1974 Ky. Acts ch. 45, sec. 6.