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Mary Fallin, Governor
Dave Lopez,
Secretary of State
Peggy Coe, Editor-in-Chief

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Submissions to Governor and Legislature

Within 10 calendar days after adoption by an agency of proposed PERMANENT rules, the agency must submit the rules to the Governor and the Legislature. A "statement" of such submission must subsequently be published by the agency in the *Register*.
For additional information on submissions to the Governor/Legislature, see 75 O.S., Section 303.1 and 308.

**TITLE 435. STATE BOARD OF MEDICAL
LICENSURE AND SUPERVISION
CHAPTER 1. ADMINISTRATION AND
ORGANIZATION**

[OAR Docket #17-704]

RULEMAKING ACTION:

Submission to Governor and Legislature

RULES:

435:1-1-7. Fees [AMENDED]

**SUBMISSION OF ADOPTED RULES TO GOVERNOR
AND LEGISLATURE:**

September 18, 2017

[OAR Docket #17-704; filed 9-21-17]

**TITLE 435. STATE BOARD OF MEDICAL
LICENSURE AND SUPERVISION
CHAPTER 70. THERAPEUTIC
RECREATION**

[OAR Docket #17-703]

RULEMAKING ACTION:

Submission to Governor and Legislature

RULES:

Subchapter 1. Administration and Organization

435:70-1-4. Therapeutic Recreation Committee - terms of
members - removal from Committee [AMENDED]

**SUBMISSION OF ADOPTED RULES TO GOVERNOR
AND LEGISLATURE:**

September 18, 2017

[OAR Docket #17-703; filed 9-21-17]

Emergency Adoptions

"If an agency finds that a rule is necessary as an emergency measure, the rule may be promulgated" if the Governor approves the rules after determining "that the rule is necessary as an emergency measure to do any of the following:

- a. protect public health, safety or welfare,
- b. comply with deadlines in amendments to an agency's governing law or federal programs,
- c. avoid violation of federal law or regulation or other state law,
- d. avoid imminent reduction to the agency's budget, or
- e. avoid serious prejudice to the public interest." [75 O.S., Section 253(A)]

An emergency rule is considered promulgated immediately upon approval by the Governor, and effective immediately upon the Governor's approval or a later date specified by the agency in the emergency rule document. An emergency rule expires on September 15 following the next regular legislative session after its promulgation, or on an earlier date specified by the agency, if not already superseded by a permanent rule or terminated through legislative action as described in 75 O.S., Section 253(H)(2).

Emergency rules are not published in the *Oklahoma Administrative Code*; however, a source note entry, which cites to the *Register* publication of the emergency action, is added to the *Code* upon promulgation of a superseding permanent rule or expiration/termination of the emergency action.

For additional information on the emergency rulemaking process, see 75 O.S., Section 253.

TITLE 165. CORPORATION COMMISSION CHAPTER 5. RULES OF PRACTICE

[OAR Docket #17-699]

RULEMAKING ACTION:

EMERGENCY adoption

RULES:

Subchapter 7. Commencement of a Cause

Part 3. Oil and Gas

165:5-7-6. Drilling and spacing unit establishment or modification
[AMENDED]

165:5-7-6.1. Horizontal well unitization for ~~shale~~targeted reservoirs
[AMENDED]

165:5-7-6.2. Multiunit horizontal wells in targeted reservoirs
[AMENDED]

165:5-7-7. Pooling [AMENDED]

AUTHORITY:

Oklahoma Corporation Commission; Article IX, Sections 18 and 19 of the Oklahoma Constitution, 17 O.S. §52, 27A O.S. §1-3-101, 52 O.S. §139, and OAC 165:5-1-7.

COMMENT PERIOD:

July 27, 2017 through August 15, 2017

PUBLIC HEARING:

August 22, 2017

ADOPTION:

August 22, 2017

APPROVED BY GOVERNOR:

September 8, 2017

EFFECTIVE:

Immediately upon Governor's approval.

EXPIRATION:

Effective through September 14, 2018, unless superseded by another rule or disapproved by the Legislature.

SUPERSEDED EMERGENCY ACTIONS:

n/a

INCORPORATIONS BY REFERENCE:

n/a

FINDING OF EMERGENCY:

The rules are needed on an emergency basis so that the Commission's Rules of Practice set forth in the Oklahoma Administrative Code (OAC) 165:5 will conform to provisions in Senate Bill No. 867-the Oklahoma Energy Jobs Act of 2017-which will become effective August 25, 2017.

GIST/ANALYSIS:

The proposed changes to OAC 165:5 are to address changes to 52 O.S. § 87.1 and 52 O.S. §§ 87.6 through 87.9. The proposed changes include modification of terms regarding applications requesting the issuance of orders concerning horizontal well unitizations and multiunit horizontal wells in targeted reservoirs, addressing authorizations for expenditure regarding applications for pooling orders, as well as requirements for horizontal spacing units.

CONTACT PERSON:

Susan Dennehy Conrad, Deputy General Counsel, Oklahoma Corporation Commission, 2101 North Lincoln Boulevard, PO Box 52000, Oklahoma City, OK 73105, telephone (405) 521-3939, s.conrad@occemail.com.

PURSUANT TO THE ACTIONS DESCRIBED HEREIN, THE FOLLOWING EMERGENCY RULES ARE CONSIDERED PROMULGATED AND EFFECTIVE UPON APPROVAL BY THE GOVERNOR AS SET FORTH IN 75 O.S., SECTION 253(F):

SUBCHAPTER 7. COMMENCEMENT OF A CAUSE

PART 3. OIL AND GAS

165:5-7-6. Drilling and spacing unit establishment or modification

(a) Notice of hearing relating to drilling and spacing units shall be published one time at least fifteen (15) days prior to the hearing in a newspaper of general circulation published in Oklahoma County, Oklahoma, and in a newspaper of general circulation published in each county in which lands embraced in the application are located.

(b) When an applicant proposes to establish, vacate, alter, modify, amend, or extend a drilling and spacing unit, the application and notice shall be served by the applicant no less than fifteen (15) days prior to the date of the hearing, by regular mail, upon each person or governmental entity having the right to participate in production from the proposed drilling and spacing unit or the existing drilling and spacing unit.

(c) A plat or plats shall be attached to each application for an order to establish a drilling and spacing unit or units or to extend existing spacing within a common source or sources of supply, which plat shall show the spacing units requested together with any spacing units abutting or overlapping the area to be spaced, and any abutting spacing units in all spaced formations. An amended plat shall be provided at the time of

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the hearing in the event drilling and spacing units have been established after the application was filed and prior to the hearing to reflect the status of the spacing at the time of the hearing.

(d) An application to extend spacing from an adjacent drilling and spacing unit shall state in the body of the application the order number that created the spacing in the adjacent unit that applies to the common sources of supply which are sought to be extended by the application. Such request to extend spacing and citation to such order number shall be placed in the special relief paragraph of the notice of hearing.

(e) Where a well has not been commenced to or completed in the common source of supply sought to be spaced, notice of hearing for an order to vacate, alter, amend, extend, or change a prior spacing order shall be served and published as required in (a) of this Section. Such request to vacate, alter, amend, extend, or change a prior spacing order shall be placed in the special relief paragraph of the notice of hearing.

(f) Where two or more orders have issued spacing a common source of supply and such spacing orders have resulted in there being a conflict either as to the size of the unit or as to a common source of supply or a conflict as to the nomenclature of the common source of supply, then the applicant seeking to vacate, alter, amend, or change one of the prior spacing orders shall either file an application to construe and modify the conflicting orders or may amend a relevant application to accomplish the same result. Notice of hearing shall be served and published as required upon the commencement of a proceeding.

(g) The Commission may issue an order establishing horizontal well units for a common source of supply. A horizontal well unit may be established for a common source of supply for which there are already established non-horizontal drilling and spacing units, and said horizontal well unit may include within the boundaries thereof more than one existing non-horizontal drilling and spacing unit for the common source of supply. Upon the formation of a horizontal well unit that includes within the boundaries thereof one or more non-horizontal drilling and spacing units, the Commission shall provide that such horizontal well unit exists concurrently with one or more of such non-horizontal drilling and spacing units, and each such unit may be concurrently developed. Notwithstanding the foregoing, the Commission may vacate any non-horizontal drilling and spacing unit upon a proper showing of a change of conditions or change in knowledge of conditions to justify such vacation or deletion, and any such request to vacate or delete any such non-horizontal drilling and spacing unit may be included in and made a part of any application to form one or more horizontal well units.

(1) In any spacing proceeding to establish or form a horizontal well unit, the application filed in such proceeding shall set forth and describe any non-horizontal drilling and spacing unit that exists concurrently with such horizontal well unit, including the well or wells located in any such non-horizontal drilling and spacing unit.

(2) The order entered in such proceeding shall describe any non-horizontal drilling and spacing unit that exists concurrently with the horizontal well unit, including the well or wells located in such non-horizontal drilling

and spacing unit. The order establishing or forming a horizontal well unit that exists concurrently with any non-horizontal drilling and spacing unit shall state, based on the evidence presented, that the consent in writing required by subsection (h) of this Section has been obtained and filed or that a waiver of such consent requirement as authorized by subsection (i) of this Section has been granted by the Commission.

(h) No order of the Commission authorizing a horizontal well unit that overlies any existing well, or portion of any existing drilling and spacing unit with any existing well, producing from the same common source of supply shall be entered until:

(1) at least fifty percent (50%) of the ownership having a right to drill in each such well and drilling and spacing unit consents in writing to the formation of such horizontal well unit and such written consent or consents are filed with the Court Clerk of the Commission in the applicable spacing proceeding or otherwise entered into the record in such proceeding; or

(2) such consent is waived by the Commission. Provided, however, in the event any such order is entered by the Commission without the written consent required above or a waiver of such consent, any horizontal well unit purported to be formed by such order for which such consent is required shall not be effective until such consent is filed with the Court Clerk of the Commission in such spacing proceeding or is otherwise entered into the record of such proceeding or such consent is waived by the Commission. Requests for such consent must be sent by restricted mail to the owners having the right to drill in any existing well and/or drilling and spacing unit producing from the same common source of supply as the proposed horizontal well unit. In addition, if the boundaries of the horizontal well unit do not encompass such existing drilling and spacing unit in its entirety, then the application and notice for the horizontal well unit shall be served by the applicant no less than fifteen (15) days prior to the date of the hearing, by regular mail, upon each person or governmental entity having the right to participate in production from the existing drilling and spacing unit.

(i) Any written consent to the order required under subsection (h) of this Section shall not be a waiver of, nor commitment of, any rights of such owners in either the existing production or the proposed horizontal well unit. If the required percentage of consent cannot be obtained, the applicant may make application to the Commission for a waiver of the consent requirement, and upon a showing of good cause by the applicant, the Commission may waive the consent requirement. For purposes of this subsection, a showing of good cause means applicant must present sufficient testimony and evidence, and the Commission must find in the order, that applicant has established the following:

(1) Due diligence was exercised to locate each owner having a right to drill in any existing well and/or any existing drilling and spacing unit producing from the same common source of supply as the proposed horizontal well unit;

- (2) A bona fide effort was made to obtain the required percentage of consent;
 - (3) Alternate methods of development are inadequate to prevent waste and to protect correlative rights unless the consent requirement is waived and the proposed horizontal well unit created; and
 - (4) Any correlative rights or vested rights, or both, of owners in the existing well(s) and/or drilling and spacing unit(s), and in the proposed horizontal well unit, will be adequately protected if the consent requirement is waived and the proposed horizontal well unit created.
- (j) If a horizontal well unit formed under subsection (g) of this Section is determined to exist concurrently with any previously formed non-horizontal drilling and spacing unit, or any portion thereof, the order forming such horizontal well unit shall provide that each concurrently existing unit may be separately developed in that a well may be drilled into, completed in, and produce hydrocarbons from the same common source(s) of supply in each such concurrently existing unit, with production from such well to be governed by and allocated pursuant to the applicable unit. If a unit is determined to exist concurrently with another unit and is subject to a prior pooling order, which is in full force and effect, the rights relinquished by a non-participating owner which became vested under such prior pooling order in the same common source(s) of supply shall be treated and recognized as vested rights in any subsequent pooling proceeding covering such other unit. An owner, who participated as a working interest owner under an existing pooling order covering a unit that exists concurrently with another unit, need not participate or continue to participate as a working interest owner under any other pooling order covering such other unit in order to continue to participate as a working interest owner under such existing pooling order; provided, however, if such owner does not participate as a working interest owner under such other pooling order, such owner shall relinquish its rights to participate in any well drilled under or otherwise covered by such other pooling order.
- (k) Any spacing order entered by the Commission pursuant to 52 O.S. § 87.1(f) which forms a horizontal well unit or units that exceed six hundred forty (640) acres plus tolerances and variances as allowed by statute shall provide that the contemplated lateral length of the initial horizontal well drilled in any such horizontal well unit formed by such order shall be at least seven thousand five hundred (7,500) feet. Such spacing order shall further provide that upon the initial horizontal well drilled under such spacing order reaching its total depth, an affidavit shall be filed in the spacing proceeding in which such order is entered setting forth the lateral length of such initial horizontal well in any horizontal well unit formed by such order.

165:5-7-6.1. Horizontal well unitization for shaletargeted reservoirs

- (a) The application, and the notice of hearing on the application, for an order creating a horizontal well unitization for a shaletargeted reservoir pursuant to 52 O.S. §87.9 shall be served no less than fifteen (15) days prior to the date of the hearing, by regular mail, upon:

- (1) Each person or governmental entity having the right to share in production from the proposed unitization covered by the application; and
 - (2) The operator, as shown by the records of the Commission, of each well that is commencing to or currently producing from the shaletargeted reservoir in any unit or any separate tract of land for which no unit has been formed for such shaletargeted reservoir adjoining, cornering or adjacent to the proposed unitization.
- (b) If the applicant is the operator of a well commencing to or currently producing from the shaletargeted reservoir in a unit or a separate tract of land for which no unit has been formed for such shaletargeted reservoir adjoining, cornering or adjacent to the proposed unitization, notice of hearing shall be served by the applicant no less than fifteen (15) days prior to the date of the hearing, by regular mail, upon each owner, as shown by the records of the operator, with a working interest in such well in the shaletargeted reservoir.
- (c) Notice of hearing regarding an application for an order creating a horizontal well unitization for a shaletargeted reservoir pursuant to 52 O.S. §87.9 shall be published as provided in OAC 165:5-7-1(n)(2).
- (d) The application for an order creating a horizontal well unitization for a shaletargeted reservoir shall contain the following:
- (1) The legal description of the lands covered.
 - (2) The names and addresses of the applicant and proposed operator or operators of the proposed unitization.
 - (3) Allegations concerning the existence of facts relating to the proposed unitization as provided in 52 O.S. §87.9(B).
 - (4) A map or plat showing the governmental sections included within the proposed unitization and the location of proposed horizontal well(s) to be drilled for the recovery of oil and gas from the shaletargeted reservoir. If applicable, the map or plat should show the location of all other wells, including abandoned and drilling wells and dry holes, within the shaletargeted reservoir.
 - (5) The name and depth of each shaletargeted reservoir to be affected, including any potential associated adjacent common source of supply.
 - (6) A log of a representative well completed in the shaletargeted reservoir which is the subject of the application.
 - (7) A plan of development of the area included within the proposed unitization as provided in 52 O.S. §87.6(B)(11) and 52 O.S. §87.9(E). The plan of development must also address the conditions upon which the unit shall terminate.
 - (8) Reference to any companion application, identified by the type of requested relief, such as any application for location exception, for pooling, or for any other relief that may be appropriate under the specific facts of a cause, if such companion application is filed in conjunction with or is pending at the time of the filing of the application for horizontal well unitization.
- (e) Each application for an order creating a horizontal well unitization for a shaletargeted reservoir shall be limited to two

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(2) governmental sections, although the size of the unitization may be expanded by including additional governmental sections up to a maximum unit size of four (4) governmental sections for good cause shown pursuant to 52 O.S. §87.9(C).

(f) An order approving an application for a horizontal well unitization for a ~~shale~~targeted reservoir shall include the elements identified in 52 O.S. §87.9(F) and other applicable portions of 52 O.S. §87.9.

(g) Any pooling application filed pursuant to 52 O.S. §87.9(I) regarding a horizontal well unitization for a ~~shale~~targeted reservoir shall be filed pursuant to OAC 165:5-7-7.

165:5-7-6.2. Multiunit horizontal wells in targeted reservoirs

(a) The application, and the notice of hearing on the application, for an order approving a multiunit horizontal well in a targeted reservoir pursuant to 52 O.S. §87.8 shall be served no less than fifteen (15) days prior to the date of the hearing, by regular mail, upon each person or governmental entity having the right to share in production from each of the affected units covered by the application.

(b) Notice of hearing regarding an application for an order approving a multiunit horizontal well in a targeted reservoir pursuant to 52 O.S. §87.8 shall be published as provided in OAC 165:5-7-1(n)(2).

(c) The application for an order approving a multiunit horizontal well in a targeted reservoir shall contain the following:

- (1) The legal description of the affected units.
- (2) The name and address of the applicant and proposed operator of the proposed well.
- (3) The name and depth of each targeted reservoir to be affected, including any potential ~~associated~~adjacent common source of supply.
- (4) The information required by 52 O.S. §87.8(B)(4).
- (5) Allegations concerning the existence of facts relating to the proposed well as provided in 52 O.S. §87.8(B)(6).
- (6) Reference to any companion application, identified by the type of requested relief, such as any application for spacing, for location exception, for increased density, for pooling, for modification of any previous pooling order, or for any other relief that may be appropriate under the specific facts of a cause, if such companion application is filed in conjunction with or is pending at the time of the filing of the application for multiunit horizontal well(s).

(d) An order approving an application for a multiunit horizontal well in a targeted reservoir shall require the allocation of the reasonable drilling, completion and production costs and of the commingled production and proceeds in accordance with 52 O.S. §87.8(B) and the map(s) addressed in 52 O.S. §87.8(B)(4)(b) must be attached to the order.

(e) Any pooling application filed pursuant to 52 O.S. §87.8(B)(3) involving a multiunit horizontal well for a targeted reservoir shall be filed pursuant to OAC 165:5-7-7.

(f) In the event a multiunit horizontal well covered by 52 O.S. § 87.8 is intended to be the initial unit well in any horizontal well unit that exceeds six hundred forty (640) acres plus

tolerances and variances allowed by statute, the contemplated completion interval of such well shall exceed ten thousand five hundred sixty (10,560) feet, absent a showing of reasonable cause.

165:5-7-7. Pooling

(a) Each pooling application shall include a statement by the applicant that the applicant exercised due diligence to locate each respondent and that a bona fide effort was made to reach an agreement with each such respondent as to how the unit would be developed. The applicant shall present evidence to this effect at the time of hearing.

(b) Notice of hearing for a pooling order, together with the application, shall be served by the applicant no less than fifteen (15) days prior to the date of the hearing, by restricted mail, upon each respondent.

(c) Notice of hearing for a pooling order shall be published pursuant to 165:5-7-1(n)(2).

(d) An Authorization for Expenditure (AFE) which was prepared or revised within forty-five (45) days of the date of the hearing at which it is offered into evidence shall be submitted at the hearing. An AFE for a horizontal well drilled pursuant to 52 O.S. §§ 87.1(f), 87.8, or 87.9 shall provide well cost estimates for the total footage of the proposed well. If the well is a multiunit horizontal well drilled pursuant to 52 O.S. § 87.8, the costs listed in the AFE should be allocated in the pooling order according to the allocation factor assigned to each of the subject drilling and spacing units in the applicable multiunit horizontal well order.

(e) If the applicant anticipates that some other owner of the right to drill may be designated as the operator of the unit well, the body of the application and notice shall so state. In the notice, the request that the applicant or some other owner may be designated operator shall be placed in the special relief paragraph.

(f) No pooling order shall be extended in time except upon the same notice as provided for in the initial application. Such request shall be in the form of a motion filed under the original CD number of the pooling.

(g) Notice of hearing for a redetermination of well costs shall be as provided in the initial application. Such request shall be in the form of a motion filed under the original CD number of the pooling.

[OAR Docket #17-699; filed 9-12-17]

TITLE 165. CORPORATION COMMISSION CHAPTER 10. OIL & GAS CONSERVATION

[OAR Docket #17-700]

RULEMAKING ACTION:

EMERGENCY adoption

RULES:

Subchapter 3. Drilling, Developing, and Producing
Part 5. Operations
165:10-3-28. Horizontal drilling [AMENDED]

AUTHORITY:

Oklahoma Corporation Commission; 17 O.S. § 52, 27A O.S. § 1-3-101, 52 O.S. § 139, and OAC 165:5-1-7.

COMMENT PERIOD:

July 27, 2017 through August 15, 2017

PUBLIC HEARING:

August 22, 2017

ADOPTION:

August 22, 2017

APPROVED BY GOVERNOR:

September 8, 2017

EFFECTIVE:

Immediately upon Governor's approval

EXPIRATION:

Effective through September 14, 2018, unless superseded by another rule or disapproved by the Legislature.

SUPERSEDED EMERGENCY ACTIONS:

n/a

INCORPORATIONS BY REFERENCE:

n/a

FINDING OF EMERGENCY:

The rule is needed on an emergency basis so that the Commission's Oil and Gas Conservation rules set forth in the Oklahoma Administrative Code (OAC) 165:10 will conform to provisions in Senate Bill No. 867-the Oklahoma Energy Jobs Act of 2017-which will become effective August 25, 2017.

GIST/ANALYSIS:

The proposed changes to OAC 165:10 are to address changes to 52 O.S. § 87.1 and 52 O.S. §§ 87.6 through 87.9. The proposed changes include the addition of definitions for new terms, deletion of definitions for other terms, and adding references to 1,280 acre horizontal well units.

CONTACT PERSON:

Susan Dennehy Conrad, Deputy General Counsel, Oklahoma Corporation Commission, 2101 North Lincoln Boulevard, PO Box 52000, Oklahoma City, OK 73105, telephone (405) 521-3939, s.conrad@occcmail.com.

**PURSUANT TO THE ACTIONS DESCRIBED
HEREIN, THE FOLLOWING EMERGENCY RULE IS
CONSIDERED PROMULGATED AND EFFECTIVE
UPON APPROVAL BY THE GOVERNOR AS SET
FORTH IN 75 O.S., SECTION 253(F):**

**SUBCHAPTER 3. DRILLING, DEVELOPING,
AND PRODUCING**

PART 5. OPERATIONS

165:10-3-28. Horizontal drilling

(a) **Scope.** This Section affects a horizontal well with one or more laterals.

(b) **Definitions.** The following words and terms, when used in this Section, shall have the following meaning, unless the context clearly indicates otherwise:

- (1) ~~"Associated common source of supply" shall mean a common source of supply which is subject to a drilling and spacing unit formed by the Commission and located in all or a portion of the lands in which the completion interval of a horizontal well is located, and which is immediately adjoining the shale common source of supply in which the completion interval of the horizontal well is located, and which is inadvertently encountered in the drilling of the lateral of such horizontal well when such well is drilled out of or exits, whether on one or multiple occasions, such shale common source~~

~~of supply."Adjacent common source of supply" shall mean a common source of supply which is immediately adjacent to and adjoining the targeted reservoir(s) in a multiunit horizontal well being drilled or a well being drilled in a horizontal well unitization pursuant to 52 O.S. § 87.6 et seq. and which is inadvertently encountered in the drilling of the lateral of a multiunit horizontal well or a well pursuant to a horizontal well unitization when such well is drilled out of or exits, whether on one or multiple occasions, the targeted reservoir(s), and which is not the primary target of the subject well and shall not be included in the relinquished rights pursuant to 52 O.S. § 87.1(h). In the event that an adjacent common source of supply may be inadvertently encountered in the drilling of the lateral of a multiunit horizontal well or a well pursuant to a horizontal well unitization when such well is drilled out of or exits, whether on one or multiple occasions, the targeted reservoir(s), then said inadvertently entered adjacent common source of supply shall be included as part of the targeted reservoir only for the purpose of the inadvertent penetrations, and any subsequent completion, commingling and production of said adjacent common source of supply with the targeted reservoir(s), but not for future development of said adjacent common source of supply [52 O.S. § 87.6(B)(1)].~~

(2) **"Completion interval"** shall mean, for open hole completions, the interval from the point of entry to the terminus and, for cased and cemented completions, the interval from the first perforations to the last perforations [52 O.S. § 87.6(B)(5)].

(3) **"Conventional reservoir"** shall mean a common source of supply that is not an unconventional reservoir.

(4) **"Date of first production"** shall mean the date hydrocarbons are first produced from the horizontal well, whether or not production occurs during drilling, completion, or through permanent surface equipment.

(5) **"Directional survey"** shall mean that survey or report showing the location of any point of the wellbore as it relates to the surveyed surface location from the surface to the terminus of each lateral.

(6) **"Horizontal component"** shall mean the calculated horizontal distance from the point of entry to the terminus [52 O.S. § 87.6(B)(8)].

(7) **"Horizontal well"** shall mean a well drilled, completed, or recompleted with one or more laterals which, for at least one lateral, the horizontal component of the completion interval exceeds the vertical component of the completion interval and the horizontal component extends a minimum of 150 feet in the formation [52 O.S. § 87.6(B)(6)].

(8) **"Horizontal well unit"** shall mean a drilling and spacing unit established by the Commission, after application, notice, and hearing, for a common source of supply into which a horizontal well has been or will be drilled.

(9) **"Horizontal well unitization"** shall mean a unitization for a ~~shale~~ targeted reservoir created pursuant to 52 O.S. § 87.6 et seq. [52 O.S. § 87.6(B)(7)].

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(10) **"Lateral"** shall mean *the portion of the wellbore of a horizontal well from the point of entry to the terminus* [52 O.S. § 87.6(B)(9)].

~~(11) **"Marmaton common source of supply"** shall mean a common source of supply located within Texas and Beaver Counties and designated as the Marmaton by the Commission through rule or order.~~

~~(12) **"Multiunit horizontal well"** shall mean a horizontal well in a targeted reservoir or targeted reservoirs wherein the completion interval of the well is located in more than one unit formed for the same targeted reservoir, with the well being completed in and producing from such targeted reservoir in two or more of such units~~ [52 O.S. § 87.6(B)(10)].

~~(13) **"Non-standard horizontal well unit"** shall mean a horizontal well unit that is not a standard horizontal well unit.~~

~~(14) **"Point of entry"** shall mean the point at which the borehole of a horizontal well first intersects the top of the common source of supply~~ [52 O.S. § 87.6(B)(12)].

~~(15) **"Shale reservoir"** shall mean a common source of supply which is a shale formation that is so designated by the Commission through rule or order, and shall also include any associated common source of supply as defined in this subsection.~~

~~(16) **"Standard horizontal well unit"** shall mean a horizontal well unit that is a square 10-, 40-, 160-, or 640-acre tract or a rectangular 20-, 80-, or 320-acre~~ ~~320- or 1,280-acre~~ tract in accordance with OAC 165:10-1-22.

~~(17) **"Targeted reservoir"** shall mean any shale reservoir or any portion of the Marmaton common source of supply one or more common sources of supply which will be encountered by the horizontal lateral portion of a horizontal well, and which has been designated by the Commission as part of an order, rule or emergency rule as potentially suited for development for the applied for multiunit horizontal well or horizontal well unitization pursuant to 52 O.S. § 87.6 et seq. Provided, however, that more than one common source of supply may only be granted by the Commission and included in the targeted reservoir upon a showing of reasonable cause by the applicant requesting the multiunit well in the application requesting authority for the multiunit well prior to the drilling of said multiunit well that the inclusion of the additional common source(s) of supply shall prevent waste and protect the correlative rights of all of the owners of the oil and gas rights~~ [52 O.S. § 87.6(B)(14)].

~~(18) **"Terminus"** shall mean the end point of the borehole of a horizontal well in the targeted reservoir~~ [52 O.S. § 87.6(B)(15)].

~~(19) **"True vertical depth"** shall mean that depth at the point of entry perpendicular to the surface as measured from the elevation of the kelly bushing on the drilling rig.~~

~~(20) **"Unconventional reservoir"** shall mean a common source of supply that is a shale or a coal bed. "Unconventional reservoir" shall also mean any other common source of supply designated as such by Commission order or rule.~~

~~(21) **"Vertical component"** shall mean the calculated vertical distance from the point of entry to the terminus of the lateral~~ [52 O.S. § 87.6(B)(20)].

(c) **General horizontal well requirements.**

(1) Within 30 days after completion of a horizontal well, the operator shall show that the location of the completion interval complies with the applicable general rule, location exception order, or other order of the Commission by submitting the following to the Technical Services Department:

(A) A directional survey run in the horizontal well.

(B) A plat constructed from the results of the directional survey showing the completion interval.

(2) The completion interval of an oil and or gas horizontal well shall be located not closer than the minimum distance as set out below from any other oil or gas well completed in the same common source of supply except as authorized by a special order of the Commission:

(A) Three hundred feet from any other oil or gas well completed in the same common source of supply, the top of which is less than 2,500 feet in true vertical depth.

(B) Six hundred feet from any other oil or gas well completed in the same common source of supply, the top of which is 2,500 feet or more in true vertical depth.

(C) This paragraph does not apply to horizontal wells drilled in a unit created for secondary or enhanced recovery operations pursuant to 52 O.S. § 287.1 et seq. or to horizontal wells drilled in a horizontal well unitization created pursuant to 52 O.S. § 87.6 et seq.

(3) The perforated interval of an oil or gas non-horizontal well shall be located not closer than the minimum distance as set out below from the completion interval of any oil or gas horizontal well completed in the same common source of supply, except as authorized by a special order of the Commission:

(A) Three hundred feet from any completion interval of any oil or gas horizontal well completed in the same common source of supply, the top of which is less than 2,500 feet in true vertical depth.

(B) Six hundred feet from any completion interval of any oil or gas horizontal well completed in the same common source of supply, the top of which is 2,500 feet or more in true vertical depth.

(C) This paragraph does not apply to non-horizontal wells drilled in a unit created for secondary or enhanced recovery operations pursuant to 52 O.S. § 287.1 et seq.

(d) **Horizontal well requirements in an unspaced common source of supply.** In a horizontal well drilled in a common source of supply in which the Commission has not established any drilling and spacing units or horizontal well units, the completion interval of a horizontal well may not be located closer to the boundaries of the applicable mineral estate, oil and gas leasehold estate, or voluntary unit than the

minimum distance set out below except as authorized by a special order of the Commission:

- (1) Not less than 165 feet when the top of the common source of supply is less than 2,500 feet in true vertical depth.
- (2) Not less than 330 feet when the top of the common source of supply is 2,500 feet or more in true vertical depth.

(e) **Drilling and spacing units.**

- (1) A horizontal well may be drilled on any drilling and spacing unit.
- (2) A horizontal well unit may be created in accordance with 165:10-1-22 and 165:5-7-6. Such units shall be created as new units after notice and hearing as provided for by the Rules of Practice, OAC 165:5.
- (3) The Commission may create a non-standard horizontal well unit covering contiguous lands in any configuration or shape deemed by the Commission to be necessary for the development of a conventional reservoir or an unconventional reservoir by the drilling of one or more horizontal wells. A non-standard horizontal well unit may not exceed ~~640~~1,280 acres plus the tolerances and variances allowed pursuant to 52 O.S. § 87.1.
- (4) A horizontal well unit may be established for a common source of supply for which there are already established non-horizontal drilling and spacing units, and said horizontal well unit may include within the boundaries thereof more than one existing non-horizontal drilling and spacing unit for the common source of supply. Upon the formation of a horizontal well unit that includes within the boundaries thereof one or more non-horizontal drilling and spacing units, the Commission shall provide that such horizontal well unit exists concurrently with one or more of such non-horizontal drilling and spacing units, and each such unit may be concurrently developed.

(f) **Horizontal well location requirements for horizontal well units and horizontal well unitizations.**

- (1) **Conventional reservoirs.** In a conventional reservoir, the completion interval of a horizontal well in a horizontal well unit shall be located not less than the minimum distance from the unit boundary as follows:
 - (A) Not less than 165 feet from the boundary of any 10-, 20-, or 40-acre horizontal well unit.
 - (B) Not less than 330 feet from the boundary of any 80- or 160-acre horizontal well unit.
 - (C) Not less than 660 feet from the boundary of any 320-~~or 640-acre~~640- or 1,280-acre horizontal well unit.

(2) **Unconventional reservoirs.** In an unconventional reservoir, the completion interval of a horizontal well in a horizontal well unit shall be located not less than the minimum distance from the unit boundary as follows:

- (A) Not less than 165 feet from the boundary of any 10-, 20-, or 40-acre horizontal well unit.
- (B) Not less than 330 feet from the boundary of any 80-, 160-, 320-, ~~or 640-acre~~640- or 1,280-acre horizontal well unit.

(3) **Horizontal well unitizations.** The completion interval of a horizontal well in a horizontal well unitization shall not be located less than 330 feet from the unit boundary.

(g) **Alternative well location requirements.** The Commission may establish well location requirements different from those provided in subsection (f) of this Section when necessary to prevent waste and protect correlative rights. These requirements may be established in the order creating a standard or non-standard horizontal well unit or through a special rule of the Commission covering a conventional or unconventional reservoir in a designated geographic area. (see OAC 165:10, Subchapter 29, Special Area Rules).

(h) **Allowable.**

- (1) Horizontal oil well allowables may be established administratively using the standard allowables provided in Appendix A (Allocated Well Allowable Table) supplemented by the additional allowables provided in Appendix C (Table HD) to this Chapter.
- (2) The allowable for a horizontal gas well shall be computed in the manner prescribed for a non-horizontal gas well in the same common source of supply.
- (3) The allowable for a horizontal well unit or horizontal well unitization with multiple horizontal gas wells shall be the sum of the allowables for the separate horizontal gas wells. For this summation, the allowable for each horizontal gas well will be calculated as if it were the only well in the unit.
- (4) The allowable for a multiunit horizontal well shall be allocated to each affected unit using the allocation factors determined in accordance with 52 O.S. § 87.8(B)(1).

(i) **Pooling.** Horizontal well units, horizontal well unitizations and multiunit horizontal wells may be pooled as provided in 52 O.S. § 87.1, 52 O.S. § 87.6 et seq. and Commission Rules of Practice, OAC 165:5.

[OAR Docket #17-700; filed 9-12-17]

