

LEGISLATURE OF NEBRASKA
NINETY-EIGHTH LEGISLATURE
SECOND SESSION
LEGISLATIVE BILL 967

Introduced by Baker, 44

Read first time January 9, 2004

Committee: Natural Resources

A BILL

1 FOR AN ACT relating to oil and gas; to amend section 57-909,
2 Reissue Revised Statutes of Nebraska; to change
3 provisions relating to recovery of expenses relating to
4 wells as prescribed; and to repeal the original section.
5 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 57-909, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 57-909. (1) When two or more separately owned tracts are
4 embraced within a spacing unit, or when there are separately owned
5 interests in all or part of the spacing unit, ~~then~~ the owners and
6 royalty owners thereof may pool their interests for the development
7 and operation of the spacing unit. In the absence of voluntary
8 pooling, the commission, upon the application of any interested
9 person, or upon its own motion, shall be empowered to enter an
10 order pooling all interests in the spacing unit for the development
11 and operation thereof. Each such pooling order shall be made only
12 after notice and hearing, and shall be upon terms and conditions
13 that are just and reasonable, and that afford to the owner of each
14 tract or interest in the spacing unit the opportunity to recover or
15 receive, without unnecessary expense, his or her just and equitable
16 share. Operations incident to the drilling of a well upon any
17 portion of a spacing unit covered by a pooling order shall be
18 deemed, for all purposes, the conduct of such operations upon each
19 separately owned tract in the drilling unit by the several owners
20 thereof. That portion of the production allocated to each tract
21 included in a spacing unit covered by a pooling order shall, when
22 produced, be deemed for all purposes to have been produced from
23 such tract by a well drilled thereon.

24 (2) Each such pooling order shall make provision for the
25 drilling and operation of the authorized well on the spacing unit,
26 and for the payment of the reasonable actual cost thereof,
27 including a reasonable charge for supervision. As to each owner
28 who refuses to agree upon the terms for drilling and operating the

1 well, the order shall provide for reimbursement for his or her
2 share of the costs out of, and only out of, production from the
3 unit representing his or her interest, excluding royalty or other
4 interest not obligated to pay any part of the cost thereof. In the
5 event of any dispute as to such cost, the commission shall
6 determine the proper cost. The order shall determine the interest
7 of each owner in the unit, and may provide in substance that, as to
8 each owner who agrees with the person or persons drilling and
9 operating the well for the payment by the owner of his or her share
10 of the costs, such owner, unless he or she has agreed otherwise,
11 shall be entitled to receive, subject to royalty or similar
12 obligations, the share of the production of the well applicable to
13 the tract of the consenting owner; and as to each owner who does
14 not agree, he or she shall be entitled to receive from the person
15 or persons drilling and operating ~~said~~ such well on the unit his or
16 her share of the production applicable to his or her interest,
17 after the person or persons drilling and operating ~~said~~ such well
18 have recovered ~~two hundred percent~~ three hundred percent for wells
19 from zero to four thousand nine hundred ninety-nine feet deep, four
20 hundred percent for wells from five thousand feet deep to six
21 thousand four hundred ninety-nine feet deep, and five hundred
22 percent for wells six thousand five hundred feet deep or deeper of
23 that portion of the costs and expenses of staking, well site
24 preparation, drilling, reworking, deepening or plugging back,
25 testing, completing, and other intangible expenses approved by the
26 commission chargeable to each owner who does not agree, and ~~one~~
27 ~~hundred percent~~ two hundred percent for wells from zero to four
28 thousand nine hundred ninety-nine feet deep, three hundred percent

1 for wells from five thousand feet deep to six thousand four hundred
2 ninety-nine feet deep, and five hundred percent for wells six
3 thousand five hundred feet deep or deeper of all equipment,
4 including wellhead connections, casing, tubing, packers, and other
5 downhole equipment and surface equipment, including, but not
6 limited to, stock tanks, separators, treaters, pumping equipment,
7 and piping, plus one hundred percent of the nonconsenting owner's
8 share of the cost of operation and a reasonable rate of interest on
9 the unpaid balance. For the purpose of this section, the owner or
10 owners of oil and gas rights in and under an unleased tract of land
11 shall be regarded as a lessee to the extent of a seven-eighths
12 interest in and to such rights and a lessor to the extent of the
13 remaining one-eighth interest therein.

14 (3) A certified copy of the order may be filed for record
15 with the county clerk or register of deeds of the county, as the
16 case may be, where the property involved is located, which
17 recording shall constitute constructive notice thereof. The county
18 clerk, or register of deeds, as the case may be, shall record the
19 same in the real property records of the county and shall index the
20 same against the property affected.

21 Sec. 2. Original section 57-909, Reissue Revised
22 Statutes of Nebraska, is repealed.