

CASE NOTES

Cited: Fife v. Thompson, 288 Ark. 620,
708 S.W.2d 611 (1986).

15-72-308. Petition for unit operation — Hearing.

(a) Upon the filing of a petition as provided in this section, the Oil and Gas Commission after notice shall hold a public hearing to consider the need for the operation as a unit of an entire pool or any portion thereof to prevent waste, to increase ultimate recovery of oil and gas, and to protect correlative rights.

(b) The petition shall contain the following:

- (1) A description of the proposed unit area;
- (2) A statement of the nature of the proposed unit operation; and
- (3) A conformed copy of the proposed unit operating agreement, which may be a composite of executed counterparts of the agreement.

(c) The petition may be filed by one (1) or more persons authorized in the unit operating agreement to file it with the commission.

History. Acts 1939, No. 105, § 15;
1951, No. 134, § 1; A.S.A. 1947, § 53-115.

CASE NOTES

Cited: Fife v. Thompson, 288 Ark. 620,
708 S.W.2d 611 (1986).

15-72-309. Findings to support order requiring unit operation — Issuance.

(a) If after hearing and considering the petition and evidence offered in support thereof the Oil and Gas Commission makes the following findings, it shall issue an order requiring unit operation in accordance with the terms of the proposed unit operating agreement:

(1) The proposed unit agreement has, or counterparts thereof have, been executed by persons who at the time of filing of the petition owned of record legal title to at least an undivided seventy-five percent (75%) interest in the right to drill into and produce oil or gas from the total proposed unit area and by persons who at that time owned of record legal title to seventy-five percent (75%) of royalty and overriding royalty payable with respect to oil or gas produced from the entire unit area;

(2) Unit operation of the pool or any portion thereof proposed to be unitized is reasonably necessary to prevent waste, to increase ultimate recovery of oil or gas, and to protect correlative rights; and

(3) The value of the additional oil or gas to be recovered from the proposed unit area as a result of the proposed unit operation will exceed the additional cost incident to conducting the operation.

(b) Thereafter, the order and the provisions of the unit operating agreement shall be effective as to and binding upon each person owning

an interest in the unit area or in oil or gas produced therefrom or the proceeds thereof.

(c) With respect to an interest which is encumbered of record with a mortgage or deed of trust both the grantor and grantee therein shall for the purposes of subdivision (a)(1) of this section be considered as the record owner of legal title thereto. However, when the instrument gives the grantor in the mortgage or deed of trust the right to execute the unit agreement, the grantor shall for that purpose be deemed the record owner.

History. Acts 1939, No. 105, § 15;
1951, No. 134, § 1; A.S.A. 1947, § 53-115.

CASE NOTES

Cited: Fife v. Thompson, 288 Ark. 620,
708 S.W.2d 611 (1986).

15-72-310. Order requiring unit operation — Contents.

The order requiring unit operation shall be fair and reasonable under all circumstances and shall include:

- (1) A description of the unit area;
- (2) An allocation upon the basis agreed upon by the provisions of the unit operating agreement to each separately owned tract that for all purposes of this section and §§ 15-72-308, 15-72-309, and 15-72-311 — 15-72-322 may be a previously established drilling unit if the unit operating agreement so provides in the unit area its fair share of all of the oil and gas produced from the unit area and not required or consumed in the conduct of the operation of the unit area or unavoidably lost. No allocation formula shall be adopted by the Oil and Gas Commission and put into effect unless it is based on the relative contribution to the unit operation, other than physical equipment, made by each separately owned tract or previously established drilling unit;
- (3) A provision for the credits and charges to be made in the adjustment among the owners of the unit area for their respective investments in wells, tanks, pumps, machinery, materials, and equipment contributed to the unit operation. The net amount charged against the owner or owners of a separately owned tract shall be considered expenses of unit operation chargeable against the tract;
- (4) A provision that a part of the expenses of unit operation, including capital investments, be charged to each separately owned tract in the same proportion that the tract shares in the unit production. The expenses chargeable to a tract shall be paid by the person or persons who in the absence of unit operation would be responsible for the expense of developing and operating the tract;
- (5) The time at which the unit operation shall commence; and
- (6) Those additional provisions, not in conflict with or inconsistent with the unit operating agreement, which the commission determines

to be appropriate for the prevention of waste and the protection of all interested parties.

History. Acts 1939, No. 105, § 15; 1951, No. 134, § 1; 1973, No. 22, § 1; A.S.A. 1947, § 53-115.

CASE NOTES

Cited: Fife v. Thompson, 288 Ark. 620, 708 S.W.2d 611 (1986); Williams v. Arkansas Oil & Gas Comm'n, 307 Ark. 99, 817 S.W.2d 863 (1991).

15-72-311. Obligation or liability of owners for expenses.

The obligation or liability of each owner in the several separately owned tracts for the payment of unit expenses shall at all times be several and not joint or collective. In no event shall an owner of the oil or gas rights in the separately owned tract be chargeable with, obligated, or directly or indirectly liable for more than the amount apportioned, assessed, or otherwise charged to his or her interest in such separately owned tract pursuant to the plan of unitization.

History. Acts 1939, No. 105, § 15; 1951, No. 134, § 1; A.S.A. 1947, § 53-115.

CASE NOTES

Cited: Fife v. Thompson, 288 Ark. 620, 708 S.W.2d 611 (1986).

15-72-312. Operator's lien.

(a) The operator may have a lien on all of the property owned by each owner within the unit area to secure the payment of his or her proportionate part of the expenses of unit operation.

(b) The lien may be established by filing an affidavit with the circuit clerk of the county in which the property involved or any part thereof is located. This affidavit shall set forth an itemized statement of the amount due and the interest of the owner in the unit and may be enforced in the manner as now provided for the enforcement of laborers' liens.

History. Acts 1939, No. 105, § 15; 1951, No. 134, § 1; A.S.A. 1947, § 53-115. **Cross References.** Laborers' Liens Generally, § 18-43-101 et seq.

CASE NOTES

Cited: Fife v. Thompson, 288 Ark. 620, 708 S.W.2d 611 (1986).

15-72-313. New unit operation order in pool established by previous order.

(a) The Oil and Gas Commission, upon the filing of a petition in a form complying with the requirements of § 15-72-308, may after notice and hearing require unit operation of a pool or portion thereof when the unit area newly established embraces a unit area within the same pool established by a previous order of the commission.

(b) In each case the petition shall be accompanied by a copy of the proposed unit operating agreement with respect to the operation of the unit as so enlarged in the form meeting the requirements of § 15-72-308(b)(3).

(c) In each instance the unit operating agreement shall be executed by persons owning interests in oil and gas in the entire unitized area so enlarged in sufficient numbers to comply with the requirements of § 15-72-309(a)(1). However, if the unit operating agreement then in effect with respect to the unit area to which an additional portion of a pool is to be added contains provisions under the terms of which additions to the unit area may be made, the application for enlargement of the unitized area need only be accompanied by an agreement executed by persons owning interests in oil and gas under the area to be added to the unit area in numbers sufficient to comply with the requirements of § 15-72-309(a)(1), for the inclusion, in accordance with the plan provided in the unit operating agreement involved, of the additional area to the unit area then existing.

(d) In either case, the new order, in providing for allocation of unit production from the enlarged unit area, shall first treat the unit area previously established as a single tract. The portion of unit production so allocated thereto shall then be allocated among the separately owned tracts included in the previously established unit area in the same proportion as those specified therefor in the previous order. In no event shall the new order alter the relative values of tract factors of the previously established unit area, except by consent of all parties owning interests in the tract affected.

(e) An order of the commission entered under this section shall be effective as to the enlarged unit area and to all persons owning interest in oil and gas therein to the same extent as an order entered under § 15-72-309. It shall contain provisions with respect to the enlarged unit area to meet the requirements of § 15-72-310, and the provisions of §§ 15-72-311 and 15-72-312 shall be applicable to obligations incurred in the operation of the enlarged unit area.

History. Acts 1939, No. 105, § 15; 1951, No. 134, § 1; A.S.A. 1947, § 53-115.

CASE NOTES**Additions to Pool.**

Where the evidence clearly shows that a unitized pool adjoining the property in

question is draining large amounts of oil and gas from that property, upon the application of the working interests and the

royalty interests in such area, the property in question should be added to that of the existing pool without the working interests and royalty interests in the previously existing pool joining in the applica-

tion. *Cornelius v. Arkansas Oil & Gas Comm'n*, 240 Ark. 791, 402 S.W.2d 402 (1966).

Cited: *Fife v. Thompson*, 288 Ark. 620, 708 S.W.2d 611 (1986).

15-72-314. Unit area oil and gas — Product of tract.

The portion of oil or gas produced from the unit area and allocated to a separately owned tract shall be deemed, for all purposes, to have been actually produced from the tract. Operations for the production of oil or gas from any part of the unit area, conducted pursuant to the order of the Oil and Gas Commission, shall be deemed, for all purposes, to be operations for the production of oil or gas from each separately owned tract in the unit area.

History. Acts 1939, No. 105, § 15; 1951, No. 134, § 1; A.S.A. 1947, § 53-115.

CASE NOTES

Cited: *Fife v. Thompson*, 288 Ark. 620, 708 S.W.2d 611 (1986).

15-72-315. Unitization of entire pool as one operating unit.

(a) Where the Oil and Gas Commission has received a proper petition praying an order for the operation of an entire pool as a unit and after proper hearing and evidence has issued its order unitizing the pool, then the following procedure may be instituted by one (1) or more persons authorized in the unit operating agreement to file with it a petition praying for an order setting up a salt water disposal unit within the production unit of the entire pool.

(b) The unitization of the entire pool as an operating unit must be ordered by the commission as a condition precedent before the petition praying a salt water disposal unit may be filed.

History. Acts 1939, No. 105, § 15; 1951, No. 134, § 1; 1957, No. 401, § 1; A.S.A. 1947, § 53-115.

CASE NOTES

Cited: *Fife v. Thompson*, 288 Ark. 620, 708 S.W.2d 611 (1986).

15-72-316. Salt water disposal unit operation of a pool — Petition.

(a) Upon the filing of a petition as hereinafter provided, the Oil and Gas Commission after notice shall hold a public hearing to consider the need to establish a salt water disposal unit for an entire pool.

(b) The petition shall contain the following: