OIL AND GAS LEASE ACT - CROSS UNIT DRILLING FOR UNCONVENTIONAL WELLS

Act of Nov. 7, 2019, P.L. 634, No. 85 Cl. 58

Session of 2019
No. 2019-85

SB 694

AN ACT

Amending the act of July 20, 1979 (P.L.183, No.60), entitled "An act regulating the terms and conditions of certain leases regarding natural gas and oil," providing for cross unit drilling for unconventional wells.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The act of July 20, 1979 (P.L.183, No.60), known as the Oil and Gas Lease Act, is amended by adding a section to read:

Section 2.2. Cross-unit drilling for unconventional wells.

(a) General rule.--If an operator has the right to drill an oil or gas well on separate units, the operator may drill and produce a well that traverses, by horizontal drilling, more than one unit, if:

(1) The operator reasonably allocates production from the well to or among each unit the operator reasonably determines to be attributable to each unit. The operator may allocate production on an acreage basis for multiple units provided the allocation has a reasonable correlation to the portion of the horizontal well bore in each unit.

(2) The traversing well is not expressly prohibited by the terms of a lease.

(b) Location requirement.--The 330-foot location requirement in section 6 of the act of July 25, 1961 (P.L.825, No.359), known as the Oil and Gas Conservation Law, shall not apply to unit lines traversed by a conservation well.

(c) Construction.--Nothing in this section shall be construed to:

(1) authorize an operator to drill an oil or gas well that is not subject to a valid lease or royalty agreement; and

(2) automatically expand or diminish the current surface rights of an operator to include operations related to any existing unit or any well drilled between existing units.

Section 2. This act shall take effect in 60 days.

APPROVED--The 7th day of November, A.D. 2019.

TOM WOLF