STATE OF OKLAHOMA

1st Session of the 57th Legislature (2019)

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 1379

By: Taylor

COMMITTEE SUBSTITUTE

An Act relating to oil and gas; amending Section 2, Chapter 201, O.S.L. 2012 (52 O.S. Supp. 2018, Section 902), which relates to construction of oil and gas contracts, statutes, and governmental orders; requiring operators act as reasonably prudent operators; requiring operators take certain preventative and corrective actions; requiring good-faith negotiations; allowing for the filing of injunction; allowing court discretion in ordering certain funds be held in escrow; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY Section 2, Chapter 201, O.S.L. 2012 (52 O.S. Supp. 2018, Section 902), is amended to read as follows:

Section 902. The sanctity of private agreements, and the consistent and predictable application and interpretation of statutes, governmental orders and common law, being essential to the oil and gas industry, the following are declared to be paramount rules of construction to be applied by the courts of this state in
the construction of private agreements, statutes and governmental orders relating to the exploration for, operations for, producing of, or marketing oil or gas, or disbursing proceeds of production of oil or gas:

1. A person is bound as a reasonably prudent operator to operate the well on behalf of all owners in the well and perform any duties owed to any person under a private agreement, statute, governmental order or common law relating to the exploration for, operations for, producing of, or marketing oil or gas, or disbursing proceeds of production of oil or gas, and performance of the duties described herein is that performance which an operator acting reasonably would have undertaken given the circumstances at the time, without being required to subordinate its own business interests, but with due regard to the interests of all affected parties, including the operator; and

2. A person is bound as a reasonably prudent operator to operate his or her wells relating to the exploration, operations or producing of oil or gas to prevent and not precipitate, induce or cause pollution at the surface or at adjacent, nearby or surrounding oil and gas wells. In the event pollution occurs such person shall take immediate actions to halt the activity inducing or causing the pollution and remediate the pollution. The performance of the duties described herein is that performance of which a prudent
operator acting reasonably would have undertaken given the circumstances at the time;

3. A person is bound as a reasonably prudent operator to operate his or her wells relating to the exploration, operations or producing of oil or gas to prevent and not precipitate, induce or cause adverse impact to the production of oil and gas and recoverable reserves from adjacent, nearby or surrounding leases, drilling and spacing units, and associated oil and gas wells, including, but not limited to, adverse impacts on the production of oil and gas, recoverable reserves, and leasehold equipment. In the event that such adverse impact occurs such person shall take immediate actions to minimize adverse impact and to timely negotiate in good faith to resolve any claims arising from such adverse impact. The performance of the duties described herein is that performance of which a prudent operator acting reasonably would have undertaken given the circumstances at the time; and

4. In the event an operator causes damages to adjacent property or existing wells and does not take swift actions to minimize adverse impacts or to timely negotiate in good faith to resolve any claims arising from such adverse impacts, the damaged party may file an emergency injunction with the district court to prevent the operator from causing further damage by continuing operations. In addition, in conjunction with the injunction, the court may order the enjoined operator to place in escrow an amount
of money estimated to be equal to the readily apparent damages imposed on the property or well. This dollar figure shall be determined at the discretion of the court and shall be based on the amount of reserves likely lost and on precedence established in similar cases with similar damages. The money shall be held in escrow until a trial is completed or a settlement between the parties can be reached.

5. There shall not be implied in the duties in paragraph 1, 2 or 3 of this section or otherwise any fiduciary duty, quasi-fiduciary duty or other similar special relationship in any private agreement, statute or governmental order or common law relating to the exploration for, operations for, producing of, or marketing oil or gas, or disbursing proceeds of production of oil or gas. Nothing in this section shall either prohibit the parties to a private agreement from expressly agreeing in writing otherwise or prohibit the Legislature from expressly providing otherwise in any statute subsequently enacted or prohibit any governmental order from expressly providing otherwise to the extent within the power or authority of the issuer of such order. However, the provisions of this paragraph 2 of this section shall not apply to Sections 287.1 through 287.15 of Title 52 of the Oklahoma Statutes this title and nothing in this act shall be interpreted to relieve an operator or owner from any obligation or duty set forth expressly in the Production Revenue Standards Act or the Natural Gas Market Sharing
Act; provided the performance of such obligations or duties shall be subject to the same reasonably prudent operator standard set forth in paragraph 1 of this section.

SECTION 2. This act shall become effective November 1, 2019.

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