

STATE OF NEW YORK

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IN SENATE

May 7, 2008

Introduced by Sens. YOUNG, MARCELLINO, LIBOUS -- (at request of the Department of Environmental Conservation) -- read twice and ordered printed, and when printed to be committed to the Committee on Environmental Conservation -- reported favorably from said committee and committed to the Committee on Rules -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the environmental conservation law, in relation to statewide spacing for oil and gas wells

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Subparagraph 1 of paragraph b of subdivision 1 of section
2 23-0501 of the environmental conservation law, as added by chapter 386
3 of the laws of 2005, is amended to read as follows:

4 (1) "Statewide spacing" means spacing units for gas or oil wells that
5 are within ten percent of the following sizes, as applicable, unless
6 another percentage is specifically stated:

7 (i) For Medina [~~polls and shale~~] gas pools at any depth, 40 acres with
8 the wellbore within the target formation no less than [~~660~~] 460 feet
9 from any unit boundary, plus, if applicable, the number of additional
10 acres necessary and sufficient to ensure that any horizontal wellbore
11 within the target formation is not less than 460 feet from any unit
12 boundary;

13 (ii) For Onondaga reef or Oriskany gas pools at any depth, 160 acres
14 with the wellbore within the target formation no less than 660 feet from
15 any unit boundary, plus, if applicable, the number of additional acres
16 necessary and sufficient to ensure that any horizontal wellbore within
17 the target formation is not less than 660 feet from any unit boundary;

18 (iii) For fault-bounded Trenton and/or Black River hydrothermal dolom-
19 ite gas pools where the majority of the pool is between 4,000 and 8,000
20 feet deep, 320 acres with the proposed productive section of the well-
21 bore within the target formation no less than one-half mile from any
22 other well in another unit in the same pool and no less than [~~1000~~]

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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1 1,000 feet from any unit boundary that is not defined by a field-bound-
2 ing fault but in no event less than 660 feet from any unit boundary;

3 (iv) For fault-bounded Trenton and/or Black River hydrothermal dolom-
4 ite gas pools where the majority of the pool is below [~~8000~~] 8,000 feet,
5 within five percent of 640 acres with the proposed productive section of
6 the wellbore within the target formation no less than one mile from any
7 other well in another unit in the same pool and no less than [~~1500~~]
8 1,500 feet from any unit boundary that is not defined by a field-bound-
9 ing fault but in no event less than 660 feet from any unit boundary;

10 (v) For shale gas pools at any depth, for a vertical well outside any
11 existing spacing unit for the same formation, 40 acres with the wellbore
12 within the target formation no less than 460 feet from any unit bounda-
13 ry;

14 (vi) For shale gas pools at any depth, for a horizontal well outside
15 any existing spacing unit for the same formation and with a written
16 commitment from the well operator to drill infill wells pursuant to
17 subdivision 4 of section 23-0503 of this title, with all horizontal
18 infill wells in the unit to be drilled from a common well pad within
19 three years of the date the first well in the unit commences drilling,
20 notwithstanding the ten percent tolerance specified in this subpara-
21 graph, up to 640 acres with the initial horizontal wellbore or wellbores
22 within the target formation approximately centered in the spacing unit
23 and no wellbore in the target formation less than 330 feet from any unit
24 boundary;

25 (vii) For shale gas pools at any depth, for a horizontal well outside
26 any existing spacing unit for the same formation and in the absence of a
27 written commitment from the well operator to drill infill wells pursuant
28 to subdivision 4 of section 23-0503 of this title, 40 acres with the
29 wellbore within the target formation no less than 330 feet from any unit
30 boundary plus the number of additional acres necessary and sufficient to
31 ensure that the wellbore within the target formation is not less than
32 330 feet from any unit boundary;

33 (viii) For all other gas pools where the majority of the pool is above
34 the depth of 4,000 feet, 80 acres with the wellbore within the target
35 formation no less than [~~660~~] 460 feet from any unit boundary, plus, if
36 applicable, the number of additional acres necessary and sufficient to
37 ensure that any horizontal wellbore within the target formation is not
38 less than 460 feet from any unit boundary;

39 [~~(vii)~~] (ix) For all other gas pools where the majority of the pool is
40 4,000 to 6,000 feet deep, 160 acres with the wellbore within the target
41 formation no less than 660 feet from any unit boundary, plus, if appli-
42 cable, the number of additional acres necessary and sufficient to ensure
43 that any horizontal wellbore within the target formation is not less
44 than 660 feet from any unit boundary;

45 [~~(vii)~~] (x) For all other gas pools where the majority of the pool is
46 6,000 to 8,000 feet deep, 320 acres with the wellbore within the target
47 formation no less than [~~1000~~] 1,000 feet from any unit boundary, plus,
48 if applicable, the number of additional acres necessary and sufficient
49 to ensure that any horizontal wellbore within the target formation is
50 not less than 1,000 feet from any unit boundary; [~~and~~

51 [~~(viii)~~] (xi) For all other gas pools where the majority of the pool is
52 below 8,000 feet, within five percent of 640 acres with the wellbore
53 within the target formation no less than [~~1500~~] 1,500 feet from any unit
54 boundary, plus, if applicable, the number of additional acres necessary
55 and sufficient to ensure that any horizontal wellbore within the target
56 formation is not less than 1,500 feet from any unit boundary;

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1 (xii) For oil pools in the Bass Island, Trenton, Black River, Onondaga
2 reef or other oil-bearing reefs at any depth, 40 acres with the wellbore
3 within the target formation no less than 460 feet from any unit
4 boundary, plus, if applicable, the number of additional acres necessary
5 and sufficient to ensure that any horizontal wellbore within the target
6 formation is not less than 460 feet from any unit boundary; and

7 (xiii) For all other oil pools at any depth, the wellbore within the
8 target formation shall be no less than 165 feet from any lease boundary.

9 Wells completed under a well permit issued pursuant to clause (xii) or
10 (xiii) of this subparagraph that do not produce oil may not commence
11 production of natural gas prior to modification of the spacing unit
12 pursuant to applicable provisions of this title.

13 § 2. Subdivision 4 of section 23-0503 of the environmental conserva-
14 tion law, as added by chapter 386 of the laws of 2005, is amended to
15 read as follows:

16 4. The department may issue permits to drill infill wells on a reason-
17 ably uniform pattern within the spacing unit after an integration order
18 has been issued, if required, and only if it determines that drilling
19 infill wells is necessary to satisfy the policy objectives of section
20 23-0301 of this article. The distances from the unit boundaries set
21 forth in paragraph b of subdivision 1 of section 23-0501 of this title
22 shall apply to any infill wells. For purposes of this section, new
23 lateral wellbores drilled from the original wellbore in the unit are not
24 considered infill wells if they are drilled prior to the first product
25 sales from the original surface location. In a spacing unit established
26 pursuant to clause (vi) of subparagraph 1 of paragraph b of subdivision
27 1 of section 23-0501 of this title, infill wells shall be deemed neces-
28 sary, and the number of infill wells required to satisfy the policy
29 objectives of section 23-0301 of this article must be drilled within
30 three years of the date the first well in the unit commences drilling.

31 § 3. Subdivision 6 of section 23-0503 of the environmental conserva-
32 tion law, as added by chapter 386 of the laws of 2005, is amended to
33 read as follows:

34 6. ~~An order establishing~~ Unless it is extinguished pursuant to
35 subdivision seven of this section, a spacing unit established by the
36 department shall be binding upon all persons and their heirs, successors
37 and assigns. Upon good cause shown, an order establishing a spacing unit
38 or a spacing unit which conforms to statewide spacing may be modified by
39 the department without conducting a hearing if a finding has been made
40 that no facts are in dispute after all affected persons have been
41 provided a reasonable opportunity to comment. In a spacing unit estab-
42 lished pursuant to clause (vi) of subparagraph 1 of paragraph b of
43 subdivision 1 of section 23-0501 of this title, failure to drill infill
44 wells pursuant to subdivision 4 of this section shall constitute good
45 cause for the department to initiate a modification of the spacing unit.

46 If necessary, upon issuance of ~~a modified~~ an order which changes unit
47 boundaries, the well operator shall adjust the accounts for owners with-
48 in the original and modified units to reflect the modified boundary. Any
49 participation by new owners and any adjustment of revenue or royalties
50 ~~based thereon~~ resulting from participation by new owners shall be on a
51 prospective basis only. If the initial risk penalty phase pursuant to
52 title 9 of this article is in effect, any new owner added to the unit
53 may elect to be integrated as a participating owner, a non-participating
54 owner or an integrated royalty owner as defined by title 9 of this arti-
55 cle. Full well costs shall be assessed against new participating owners
56 and non-participating owners and included in the risk penalty calcu-

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1 lation. If the initial risk penalty phase has concluded, any new owner
2 added to the spacing unit may elect to be integrated as a participating
3 owner or an integrated royalty owner on a prospective basis only.
4 § 4. This act shall take effect immediately.
